

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SCOTT BISHINS and DARSHAN
HASTHANTRA, Individually and On
Behalf of All Others Similarly Situated,

Plaintiffs,

v.

CLEANS PARK, INC., ZACHARY
BRADFORD, and S. MATTHEW
SCHULTZ,

Defendants.

Case No. 1:21-cv-00511-LAP

**AMENDED CLASS ACTION
COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

JURY TRIAL DEMANDED

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GLOSSARY OF DEFINED TERMS

Term	Definition
ASIC	Application-Specific Integrated Circuit, or computer hardware which is designed for a specific function, such as bitcoin mining.
ATL Data Centers, Inc.	Company that was acquired by CleanSpark in December 2020. ATL was ultimately an alter ego of Fastblock and Block Data.
Bitcoin	When “Bitcoin” is capitalized it refers to the Bitcoin network, which was created in 2009 and is the world’s largest and most popular form of cryptocurrency. The lowercase “bitcoin” refers to the units of the cryptocurrency.
Block Data Processing Corp.	Company that attempted to purchase the assets of ATL, and was essentially an alter ego of Fastblock and ATL.
Bradford	Defendant Zachary Bradford was CleanSpark’s Chief Executive Officer (“CEO”) and President since October 2019. Bradford served as CleanSpark’s Chief Financial Officer (“CFO”) from 2014 through October 2019.
CleanSpark	Defendant CleanSpark, Inc. that has its principal executive offices located in Woods Cross, Utah and its common stock trades on the NASDAQ exchange under the symbol “CLSK.” The Company was incorporated in Nevada in October 1987 as SmartData Corporation (“SmartData”) and it began trading publicly in January 1988.
CleanBlok	A wholly-owned subsidiary of CleanSpark.
Coinmint LLC	The company that agreed to house and power certain of CleanBlok’s cryptocurrency mining equipment in its facilities, and to use commercially reasonable efforts to mine Bitcoin through an agreed upon third-party provider on behalf of CleanBlok.
Company	Defendant CleanSpark, Inc.
de Andrada, Gustavo Lima Calderia	Director of Block Data, who was listed an organizer of ATL in its Articles of Organization, and was identified as a seller of ATL to CleanSpark in the Agreement and Plan of Merger.
ESG	Environmental, social, and corporate governance.
Fastblock	Bitcoin mining company seemingly owned by Bernardo Schucman. “Fastblock Data Centers” and “Fastblock Mining” seem to be synonymous companies.
Hash	A measure of computing power. The computing power of bitcoin mining equipment is often evaluated by measuring the number of calculations, or “hashes,” per second. A “terahash” is one trillion hashes. One “petahash” is equivalent to one thousand terahashes, and one “exahash” is equivalent to 1000 petahashes.
Hashrate	The number of hashes per second that can be executed by a machine or group of machines.
Love, Lori	CleanSpark’s Chief Financial Officer (“CFO”) from October 2019 until she resigned on December 14, 2021.

Marathon	Marathon Patent Group which sought to purchase FastBlock Mining (an alter ego of ATL) in August 2020, but withdrew the offer in September 2020 after due diligence revealed problems with FastBlock.
Microgrid	A local, decentralized, energy grid with control capability, which means it can disconnect from the traditional grid and operate autonomously.
MW	Megawatts, or measure of electrical output.
Schultz	Defendant C. Matthew Schultz was CleanSpark's Chairman of the Board since October 2019 and as Director since March 2014. Schultz was CleanSpark's CEO from 2014 through October 2019 and has served as Executive Chairman since October 2020.
Schucman, Bernando	Owner of Block Data, who was listed an organizer of ATL in its Articles of Organization, and was identified as a seller of ATL to CleanSpark in the Agreement and Plan of Merger.
Virtual Citadel	A Bitcoin mining business whose assets were ultimately conveyed to ATL.

TABLE OF EXHIBITS

Exhibit	Description
1	Amended Certification of Lead Plaintiff Darshan Hasthantra
2	Culper Research, <i>CleanSpark, Inc. (CLSK) – Back to the Trash Can</i> , Jan. 14, 2021
3	Culper Research, <i>CleanSpark, Inc. (CLSK): Mining Operations Don't Add Up</i> , Jun. 18, 2021
4	Copy of archived image from fastblockmining.com as of July 30, 2020, last accessed on Wayback Machine on February 24, 2022
5	Copy of archived image from atl-data.com as of January 25, 2021, last accessed on Wayback Machine on February 24, 2022

Lead Plaintiff Darshan Hasthantra and Plaintiff Scott Bishins (collectively “Plaintiffs”), individually and on behalf of all others similarly situated, by and through their attorneys, allege the following upon information and belief, except as to those allegations concerning Plaintiffs, which are alleged upon personal knowledge. Plaintiffs’ information and belief is based upon, among other things, counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by CleanSpark, Inc. (“CleanSpark” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by CleanSpark; and (c) review of other publicly available information concerning CleanSpark.

I. NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired CleanSpark securities between December 10, 2020 and August 16, 2021, inclusive (the “Class Period”). Plaintiffs pursue claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Prior to the Class Period, CleanSpark described itself as an energy company that provides advanced software and controls technology solutions, including end-to-end microgrid¹ energy modeling, energy market communications, and energy management solutions. In its most recent Form 10-K, however, CleanSpark has described itself as “*a leading bitcoin mining and diversified energy company.*”²

3. CleanSpark’s transformation into a company whose principal focus is now Bitcoin mining began on December 10, 2020, when CleanSpark announced the acquisition of ATL Data

¹ A “microgrid” is a local, decentralized, energy grid with control capability, which means it can disconnect from the traditional grid and operate autonomously.

² All emphasis (indicated in bold, emphasis and/or underline) in this Complaint has been added.

Centers, Inc. (“ATL”). ATL’s business consisted of two segments: a traditional data center and a Bitcoin mining operation. Defendants explained that their plan was to turn ATL into a “profitable, full-scale demonstration facility” to demonstrate the value of CleanSpark’s software technologies. Specifically, Defendants claimed that by leveraging CleanSpark’s proprietary microgrid technologies and trade secrets, CleanSpark could maximize energy savings, expand total power capacity and improve the resiliency of ATL’s existing Bitcoin mining operations. Because the main cost of Bitcoin mining is the cost of energy, Defendants offered a compelling value thesis: by decreasing energy costs, CleanSpark could maximize the profitability of Bitcoin mining.

4. Defendants claimed that the first phase of improving the ATL facility would involve expanding the power capacity from 20 megawatts to 50 megawatts. Defendants stated that CleanSpark had already contracted with the local municipality to carry out this power expansion, that the expansion would begin promptly, and that it was expected to be completed by April 2021.

5. In addition, Defendants claimed that they had engaged in extensive due diligence on ATL, including an early-stage analysis that began in February 2020 and “an in-depth examination of the profitability under the existing energy structure,” after which Defendants concluded that ATL was “a perfect fit to deploy the aforementioned strategy” of layering CleanSpark’s microgrid technologies on top of an existing Bitcoin mining operation.

6. Just a little more than a month after the ATL acquisition was announced, on January 14, 2021, a short-seller called Culper Research published a report that made a number of damning revelations about CleanSpark’s acquisition of ATL. Among other things, Culper claimed that the Bitcoin mining business that was now called ATL was effectively just the rebranded assets of a now-defunct company called Virtual Citadel, Inc. that had gone through a bankruptcy in early

2020. Culper also claimed that the public Bitcoin mining company Marathon Patent Group had just a few months earlier made an effort to acquire the same business (then branded under the name of Fastblock Mining, rather than ATL) but pulled out of the deal after discovering adverse information during the due diligence process.

7. On this news, CleanSpark's stock price fell \$3.63, or 9.2%, to close at \$35.71 per share on January 14, 2021, thereby damaging investors. The stock continued to decline the next trading session by \$4.56, or 12.8%, to close at \$31.15 per share on January 15, 2021, further damaging investors.

8. While Defendants did not address the specific allegations made by Culper, they generally responded in a January 21, 2021 press release, claiming that the report had made "false accusations against CleanSpark and its officers."

9. In the months that followed, Defendants continued to issue positive statements about CleanSpark's new Bitcoin mining business, including continual updates about new Bitcoin mining equipment that the Company had sourced and purchased and reported improvements in the Company's hashrate, which is the speed with which mining hardware can solve cryptographic problems and earn additional bitcoins.

10. Counterbalancing these rosy statements, however, Defendants repeatedly made incremental revisions to the timeline for the expansion project, continually pushing back the expected completion date. Through a series of partial disclosures, the market gradually became aware that the power capacity expansion was going to take far longer than Defendants had promised, and CleanSpark's stock price suffered as a result. Eventually, CleanSpark was forced to adopt an alternative, less profitable means to expand its mining capacity, by contracting with a

third-party to house and power CleanSpark's mining equipment so it would not stand idle while the expansion project was ongoing.

11. According to a former employee who managed the ATL facility, Defendants were informed in January or February 2021 that their publicly stated project timeline was wildly off target, and that an aggressive project schedule, assuming no delays, would entail a completion date of October 2021. Defendants, however, refused to accept this reality and instead continued to provide projections to investors that ignored the facts on the ground.

12. Finally, on August 17, 2021, Defendants acknowledged that the expansion project would not be completed until sometime in the fall of 2021. On this news, CleanSpark's stock price fell \$2.08, or 15.1%, to close at \$11.65 per share on August 17, 2021, thereby damaging investors.

13. After the Class Period, on December 14, 2021, Defendants admitted that the expansion of power capacity at the ATL facility to 50 megawatts was still not complete, and would not be complete until sometime in "the next few weeks."

14. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiffs and other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

15. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

16. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

17. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud

or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District.

18. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

III. PARTIES

19. Lead Plaintiff Darshan Hasthantra, as set forth in the previously filed certification (Dkt. No. 13-3), incorporated by reference herein, and an amended certification attached hereto as Exhibit 1, purchased CleanSpark securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

20. Plaintiff Scott Bishins, as set forth in the previously filed certification (Dkt. No. 1), incorporated by reference herein, purchased CleanSpark securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

21. Defendant CleanSpark has its principal executive offices located in Woods Cross, Utah and its common stock trades on the NASDAQ exchange under the symbol “CLSK.” The Company was incorporated in Nevada in October 1987 as SmartData Corporation (“SmartData”) and it began trading publicly in January 1988. In December 2014, shortly after Defendants Bradford and Schultz joined the Company, SmartData changed its company name to Stratean, Inc. (“Stratean”). In July 2016, Stratean acquired CleanSpark and in October 2016, Stratean changed its name to CleanSpark. From 2016 through 2020, the Company purported to provide

microgrid solutions to military, commercial and residential properties and was claimed it was developing its gasification technologies for commercial deployment. In December 2020, the Company acquired ATL Data Centers LLC (“ATL”) that, in addition to being a traditional data center operation, operates Bitcoin mining units (“ASICs”). CleanSpark currently purports to be a Bitcoin mining and diversified energy company.

22. Defendant Zachary Bradford (“Bradford”) was the Company’s Chief Executive Officer (“CEO”) and President since October 2019. Bradford served as the Company’s Chief Financial Officer (“CFO”) from 2014 through October 2019. Bradford has been a Director of the Company since March 2014. In June 2013, Bradford co-founded of Blue Chip Accounting, LLC (“Blue Chip”), a public accounting and consulting firm in Nevada, where he remains a partner. From 2013 through 2018, Bradford was also a partner and manager for De Joya Griffith & Company (“DJG”), a public accounting and consulting firm located in Henderson, Nevada. In 2015, Bradford was a Director and CFO for Be At TV, Inc. (“BETV”), as well as CFO of Epic Stores Corp., who completed a reverse merger in June 2015 with Bradford remaining as the CFO and a Director of the surviving entity, Epic Stores, Inc. (“Epic”). Blue Chip simultaneously provided consulting services until July 2016, when Blue Chip provided written notice of termination of all agreements with Epic for breach of contract and non-payment and Bradford resigned from his position as a Director and CFO of Epic. Bradford received an undergraduate degree and a graduate degree from Southern Utah University. He is a licensed Certified Public Accountant in Nevada and a member of the American Institute of Certified Public Accountants.

23. Defendant S. Matthew Schultz (“Schultz”) has served as Chairman of the Board since October 2019 and as Director since March 2014. Schultz was the Company’s CEO from 2014 through October 2019 and has served as Executive Chairman since October 2020. Schultz

served as the vice-president of the Utah Consumer Lending Association from 1998 through 1999. From 1999 to 2003, Schultz was the Chairman of Pali Financial Group, Inc., an investment banking firm specializing in small cap securities. From April 2003 through at least 2008, Schultz served as President of Wexford Capital Ventures, Inc., a Utah based strategic financial consulting firm. Schultz was the Chief Operating Officer (“COO”) and Chairman of the Board of Directors of Left Right Marketing Technology, Inc. (“Left Right”). In or around November 2005, Left Right merged with and took the name of Strategic Gaming Investments, Inc., which was controlled by Schultz and Jason Griffith of DJG, and Schultz served as the COO and Chairman until he resigned in July 2007. In August 2008, Strategic Gaming changed its name to Amerigo Energy, Inc. On October 31, 2008, Amerigo acquired Granite Energy, Inc. where Schultz was a director and had served as its CEO since August 2006. From December 2008 through August 2010, Schultz served as the CEO and Director of Amerigo. Schultz also was the primary owner of SMS Management Services, LLC (“SMS”), which was created in January 2007 and was managed by his wife, Sheree Shultz, and DJG. In March 2014, just after Bradford and Schultz joined CleanSpark, the Company acquired SMS’s intellectual property for its downdraft gasifier.

24. Defendants Bradford and Schultz (collectively the “Individual Defendants”), because of their positions with the Company, possessed the power and authority to control the contents of the Company’s reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the

adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

IV. SUBSTANTIVE ALLEGATIONS

A. Background Of CleanSpark's Business And Relevant Pre-Class Period Events

25. CleanSpark is an alternative energy company whose operational and strategic focus has shifted somewhat in recent years. In its Form 10-K dated December 17, 2020 ("2020 10-K"), CleanSpark stated that it was "in the business of providing advanced software and controls technology solutions to solve modern energy challenges" and claimed that it had "a suite of software solutions that provide end-to-end microgrid energy modeling, energy market communications and energy management solutions."³ CleanSpark described its two lines of business as consisting of an "Energy Business Segment" and a "Digital Agency Segment."⁴

26. In its Form 10-K dated December 14, 2021 ("2021 10-K"), CleanSpark described itself as a "*a leading bitcoin mining* and diversified energy company." CleanSpark described its two lines of business as now consisting of a "Digital Currency Mining Segment," focused on mining bitcoins, and an "Energy Segment," consisting of the activities previously captured under

³ According to the 2020 10-K, CleanSpark's "offerings consist of intelligent energy monitoring and controls, intelligent microgrid design software, middleware communications protocols for the energy industry, energy system engineering and software consulting services."

⁴ According to the 2020 10-K, CleanSpark's Energy Business Segment operated through (1) CleanSpark, LLC, which provided "microgrid engineering, design and software solutions to military, commercial and residential customers," (2) CleanSpark Critical Power Systems, Inc., which provided "custom hardware solutions for distributed energy systems that serve military and commercial residential properties," and (3) GridFabric, LLC, which provided "Open Automated Demand response ... and other middleware communication protocol software solutions to commercial and utility customers." According to the 2020 10-K, CleanSpark's Digital Agency Segment operated through p2kLabs, Inc., which provided "design, software development and other technology-based consulting services."

the heading of the “Energy Business Segment.” In order to align its financial reporting with the Company’s new strategic focus, CleanSpark eliminated its Digital Agency Segment as a separate reporting segment and reported the results associated with that business component under other revenue and eliminations.

27. Thus, as a result of the acquisitions and transactions described *infra*, CleanSpark transformed itself from being a generalized alternative energy company to a company whose primary focus is Bitcoin mining. As Defendant Bradford stated in a conference call with analysts on December 14, 2021, “CleanSpark is a bitcoin miner. Bitcoin mining is our primary business segment in terms of revenue. Our most efficient in terms of cost and margin and our most important in terms of maximizing value for our shareholders.” According to a December 22, 2021 by Kevin Dede, a securities analyst at H.C. Wainwright & Co., these statements “[c]learly [a]rticulated” a “transformation” of the Company: “Aside from the obvious shift in revenue source, management eliminated all doubt by clearly proclaiming on the accompanying earnings call last week that CleanSpark is now a bitcoin mining company, and we add an industrial one at that, exiting the Sept. quarter at 1.3EH/s (exahash) exclusively dedicated to bitcoin.”

28. Prior to the Class Period, on October 6, 2020, CleanSpark announced an underwritten public offering of 4,444,445 shares of common stock at a public offering price of \$9.00 per share, expected to generate gross proceeds of approximately \$40 million. CleanSpark stated that it intended “to use the net proceeds from the offering for working capital requirements, the growth of CleanSpark’s sales and marketing team, product development including software enhancements and improvements, and general corporate purposes and *strategic mergers and acquisitions*, although CleanSpark has no present commitments or agreements to enter into any

such mergers or acquisitions.” On October 9, 2020, CleanSpark announced that the offering had closed, generating aggregate gross proceeds of approximately \$40 million.

B. Background On The Bitcoin Mining Industry

29. Bitcoin⁵ was created in 2009 and is the world’s largest and most popular form of cryptocurrency, a digital currency that is secured by cryptography. Bitcoin “mining” refers to the process that verifies Bitcoin transactions and releases bitcoins into circulation. Mining involves solving complex cryptographic problems to discover a new “block,” or a group of data. Once this block is discovered or “filled,” it is given a timestamp and strung together in a distributed database known as a “blockchain.” Mining is necessary because Bitcoin does not rely on a central bank or government to oversee it, but instead relies on miners to monitor and verify Bitcoin transactions through data “ledgers” that are distributed throughout in the Bitcoin network, making it almost impossible to forge transaction histories. Given these unique properties, bitcoin was intended to be used, and has been used, as a type of currency.

30. The individuals and companies who mine Bitcoin are incentivized by the release of new bitcoin and transaction fees paid in bitcoin. The first computer to solve the problem receives the next block of bitcoins and the process begins again. Miners need either a graphics processing unit (GPU) or an application-specific integrated circuit (ASIC) to set up a mining rig; however, nearly all miners use ASIC machines, which can run from \$500 into the tens of thousands of dollars.

31. To ensure the blockchain functions smoothly and can process and verify transactions, Bitcoin aims to have one block produced every 10 minutes or so. As more mining

⁵ When “Bitcoin” is capitalized it refers to the Bitcoin network, whereas the lowercase “bitcoin” refers to the units of the cryptocurrency.

rigs work to solve the problems and more bitcoins are created, Bitcoin adjusts the difficulty of mining every 2,016 blocks, or roughly every two weeks. The odds of finding the winning value today is one in the tens of trillions. As difficulty increases, the computing power required increases, necessitating expensive, complex hardware and advanced processing units.⁶ This equipment requires a significant amount of electrical power, and, as such, Bitcoin miners that are able to lower their electricity costs may have a competitive advantage. In fact, bitcoin mining operations as complicated as Cleanspark's require specialized technical solutions to obtain all the required energy – it is not as simple as plugging a machine into a wall outlet.

32. The creator of Bitcoin put a hard cap of 21 million on the supply of bitcoin, after which no more bitcoin can be created. As of February 2022, there were just under 19 million bitcoins that have been mined thus far and are currently in circulation. As the scarcity of bitcoins increases, and the difficulty in mining new bitcoins increases, the price has increased. As of February 27, 2022, the current price of bitcoins is approximately \$37,722.80 per bitcoin. Because the rate of new bitcoins released is reduced over time, the final bitcoin is expected to be released around 2140. Nevertheless, miners will continue to verify transactions and will be paid fees for doing so in order to keep the integrity of Bitcoin's network. However, the rewards for Bitcoin mining have been reduced by half nearly every four years, declining from 50 BTC per block in 2009 to 6.25 BTC per block in 2020.

33. Given the increasing scarcity, the increasing difficulty to solve problems, and the

⁶ The computing power of bitcoin mining equipment is often evaluated by measuring the number of calculations, or "hashes," per second. A "terahash" is one trillion hashes. One petahash is equivalent to one thousand terahashes, and one exahash is equivalent to 1000 petahashes. As detailed below, a Bitcoin miner's total hashrate (which is a proxy for how quickly the mining hardware can solve a problem and thereby produce bitcoins) may be expressed in terms of petahashes per second (PH/s) or exahashes per second (EH/s). Today's mining units can produce almost 200 terahashes per second (TH/s), at only 27.5 joules per terahash.

declining rewards, time is of the essence for those competing as Bitcoin miners. Indeed, as CleanSpark CEO Zach Bradford has stated on more than one occasion, “In the Bitcoin mining industry, time is money.” Accordingly, the more computing power a Bitcoin miner can deploy, the faster it can earn more bitcoins, and the faster a Bitcoin miner can deploy more computing power, the greater the share of available bitcoins the miner can earn before the supply of new bitcoins decreases even further.

C. CleanSpark Announces Acquisition Of ATL Data Centers, Inc.

34. The Class Period starts on December 20, 2020. On that date, CleanSpark announced the acquisition of Bitcoin miner ATL Data Centers, Inc. (“ATL”) for shares of the CleanSpark’s common stock valued at \$19.4 million.⁷ In a press release touting the transaction, CleanSpark stated that the transaction represented the Company’s “first strategic acquisition as part of a larger growth plan following CleanSpark’s recent \$40M institutional investment.”

35. The press release explained that CleanSpark intended to turn ATL into a “full-scale, profitable demonstration facility” and that by applying CleanSpark’s proprietary software and trade secrets, including through the design and installation of multiple microgrids, the Company could increase the profitability of ATL’s existing operations, which included both Bitcoin mining and a data center. The press release explained that the “first phase” of this project involved expanding the power at the facility from 20 megawatts to 50 megawatts, which the Company to expected be completed by April 2021:

As part of the first phase, the Company has contracted with the local municipality to expand the power to the facility from 20MW [megawatts] to 50MW. It is expected that this expansion will begin promptly and be completed in April 2021. In addition to this ***initial utility-level expansion***, CleanSpark will begin modeling solutions with its proprietary mVSO software and subsequently add renewable

⁷ In addition, as part of the Agreement and Plan of Merger, CleanSpark agreed to assume approximately \$6.9 million of debt that ATL had on hand at closing.

energy generating assets and energy storage to the site, which will be operated by the Company's patented mPulse controls. Additionally, the Company intends to more than quadruple the number of ASIC (application specific integrated circuit) mining units in operation during the expansion.

36. The press release provided specific benchmarks that CleanSpark expected ATL to achieve with respect to hashrate and energy costs. Specifically, the press release quoted Defendant Bradford as saying:

We anticipate that upon completion of the equipment and energy expansion, the facility is expected to produce between 0.9-1.4 EH/s, depending on the final configuration and ASICs deployed. We expect that this will result in multiple bitcoins being produced daily at some of the lowest energy costs in the nation for this type of enterprise. ***The Company expects to demonstrate that, by using our technologies, we can reduce the cost of energy to below \$0.0285 per kw/h.*** After successfully deploying the systems, we intend to take this model to other sites, many of which have significantly higher energy costs offering potentially greater opportunities for savings.”

37. The press release emphasized CleanSpark's extensive due diligence into ATL for months prior to the acquisition. Defendant Bradford was quoted as saying that CleanSpark “began early-stage analysis of ATL in February 2020 to evaluate expanding the facility's energy capacity and reducing energy costs. ***After an in-depth examination of the profitability under the existing energy structure, it was apparent that it was a perfect fit to deploy the aforementioned strategy.***” The release also cited recent investments by other major companies into bitcoin, claiming that those investments demonstrated validated CleanSpark's analysis of and investment into ATL. Defendant Schultz was quoted as saying, “[t]he recent, significant investments into Bitcoin by such respected companies as Square, PayPal, and MicroStrategy ***further validate our due diligence conclusions surrounding this acquisition.***”

38. Following the issuance of the press release, on December 10, 2020, CleanSpark

also held a virtual conference hosted by Water Tower Research to discuss the acquisition.⁸ During that conference, Bradford continued to tout the acquisition. Bradford explained that the logic behind the acquisition was simple: because the principal cost of Bitcoin mining is energy, and because CleanSpark's expertise was in lowering energy costs, the acquisition provided an opportunity for CleanSpark to leverage its strengths and tap into a potentially very lucrative market. Bradford stated:

Bitcoin mining is getting paid to process data. So when you have a blockchain technology, there is data that processes to basically facilitate transactions and things that happen. And, you know, a data center or a group that is a miner is just hosting that data and processing it. And it does use a lot of energy

[T]here is no other industry where you can literally turn energy into cash. And that's what we're doing here. We are taking something whose sole or nearly sole cost of production is energy and we're using our expertise to turn that into money.

39. Bradford reiterated that the expansion of the power at the facility from 20 MW to 50 MW represented the "first stage" of the expansion plan, that this "first stage" would provide a "baseline" of 50 MW, and this first stage was expected to be completed by the end of April 2021 (after which microgrids would be added to increase resiliency, reliability, and efficiency):

Shawn Severson, Head of Sustainable Investing at Water Tower Research

So will you actually be deploying microgrid assets, storage, renewables, solar, I'm trying to understand where the physical assets come in versus the software. Do you need physical assets or intend to use physical assets in the 10 to 20 or is that in the next expansion stage after you hit the 20 Megawatts?

⁸ The Company pre-announced the December 10 conference on December 8, 2020, via a press release entitled "CleanSpark to Participate in Water Tower Research Fireside Chat Series on Growth and Expansion." The December 8 press release did not mention the pending acquisition of ATL but stated that the topics to be covered on the call would "include the Company's expansion strategy through continued innovation and technology surrounding its distributed energy software." The December 8 press release further stated that the call would "also cover growth opportunities that will come from the Company's strategic, accretive acquisition strategy, including potential expansion within target verticals."

Zachary K. Bradford

Yeah, great question, great question. ***So that will be after we hit the 50 megawatts we'll be adding on top of, so our expansion from 20 to 50 should happen over the next, call it three, three and a half months. So we expect it to be complete by the end of April. And then once that kind of baseline is there, we're going to start adding microgrid assets.*** We're likely going to add solar before then where we don't have a definitive timeline, but our hope is the facility is about 44,000 square feet and it has a blank and perfect roof and that we plan on putting hopefully almost an acre worth of solar panels across that roof.

So we'll give you an updated timeline, specifically on the solar there also. The facility is on five acres. So there is extra space to expand on ground mount solar on a few things. So solar is going to be a big part of this and then it's going to be all about the storage and then the software controlling it and making it all work together.

So yes, we're going to kind of take it in stages. ***The first stage will be to get the baseline done. Second stage will be to add the microgrids, so we probably won't be at full scale until mid-21 is our target.***

40. The market responded positively to the announcement of the ATL acquisition. On December 10, 2020, CleanSpark's stock price closed at \$15.39 per share, an increase of \$2.30, or 17.6%, over the closing price of \$13.09 per share on December 9, 2020.

41. Over the month that followed the announcement of the ATL acquisition, CleanSpark's stock price continued to climb as the Company continued to issue positive information and projections concerning its new Bitcoin business.

42. For example, on December 17, 2020, CleanSpark announced its financial results for the fiscal year ended September 30, 2020 ("FY 2020") and offered guidance for the next fiscal year, projecting \$20 million in revenue from CleanSpark's pre-existing business segments and a "minimum" of an additional \$8 million in bitcoin-based revenues from the ATL acquisition. On December 18, 2020, CleanSpark provided an update on its Bitcoin mining operations and expansion, announcing that the Company had ordered 500 additional Bitcoin mining ASICs to be delivered in the second week of January. On December 22, 2020, Clean Spark announced that it

had ordered an additional 1,000 ASICs, slated for delivery in January. On December 31, CleanSpark published a letter to shareholders, disclosing that the Company now expected a “minimum” of \$10 million in bitcoin-based revenues in FY 2021. The letter stated that “the Company’s guidance will remain somewhat conservative until the expansion has been completed and we have sufficient data to forecast a firm outlook.”

43. On January 5, 2021, the Company issued another update on its Bitcoin mining operations, confirming that the expansion plan was on track and expected to be completed “in the coming weeks”:

We anticipate completion of our near-term expansion within the coming weeks adding 1,500 more ASICs miners in January. *We will continue to provide periodic updates as we make additional progress on our expansion plans with the intention of increasing production at our Atlanta facility from the current approximately 15 MW to more than 50 MW.* All of this is to swiftly move towards our goal of mining bitcoins at the lowest energy cost in the United States.

44. CleanSpark’s stock price continued to rise throughout December and early January, reaching a closing price of \$40.39 per share on January 7, 2021. This price represented more than a tripling of CleanSpark’s stock price immediately before the announcement of the ATL acquisition. (CleanSpark’s stock price closed at \$13.09 per share on December 9, 2020.)

D. Culper Research Publishes A Report That Partially Reveals The Truth Concerning The ATL Acquisition

45. On January 14, 2021, short-seller Culper Research published a report entitled, “CleanSpark, Inc. (CLSK) – Back to the Trash Can” (the “Culper Report”). The Culper Report made serious allegations concerning a number of acquisitions and transactions that CleanSpark had engaged in over recent years, but its most important allegations concerned CleanSpark’s most recent acquisition of ATL.⁹ The Culper Report alleged that the Bitcoin business that CleanSpark

⁹ A copy of the Culper Report is attached hereto as Exhibit 2. Aside from its allegations concerning

purchased under the name of ATL Data Centers, Inc. had been the subject of a failed acquisition bid by Bitcoin miner Marathon Patent Group (“Marathon”), and that at the time of Marathon’s bid, ATL was “then known as Fastblock Mining.” Marathon had announced a letter of intent to purchase Fastblock Mining on August 26, 2020 but then announced that it had withdrawn its offer on September 17, 2020.

46. Culper alleged that Marathon’s withdrawal of its offer to purchase Fastblock Mining indicated that there were undisclosed risks in connection with CleanSpark’s acquisition of ATL and that “CleanSpark has simply rebranded an otherwise failed, podunk operation in service of a gutless promotion attempt.”

47. In its September 17, 2020 press release announcing the withdrawal of its offer to purchase Fastblock Mining, Marathon stated:

During its due diligence process, the Company discovered that the Power Agreement pursuant to which Fastblock would provide power at a subsidized rate of \$0.0285KwH, would expire in three years. The Company and Fastblock were unsuccessful in attempts to extend the term of that agreement with the power provider to the 7-10 year Window which the Company would need for this acquisition to be economically feasible.

48. According to Culper Research, these facts indicated a risk that the subsidized rate of \$0.0285KwH could expire by 2024. More broadly, these facts suggested that Marathon’s due diligence and economic analysis of the target suggested that a long investment time horizon was

ATL, the Culper Report alleged, among other things, that CleanSpark made misleading statements or omitted material information in connection with a series of transactions that it had announced between 2017 and 2020, including (1) a contract with Green Dragon announced in October 2017, (2) a contract with International Land Alliance announced in November 2019, (3) a memorandum of understanding with Shoreline Unified School announced in January 2020, (4) the acquisition of p2klabs, Inc. (“p2K”) announced in February 2020, and (5) a contract between p2K and LAWCLERK.LEGAL announced in October 2020. While CleanSpark’s alleged misrepresentations concerning these transactions may have been material at the time they were made, these announcements all occurred before the significant rise in CleanSpark’s stock price in December 2020 following the announcement of the ATL acquisition, suggesting that these other transactions were not central to investors’ valuation of CleanSpark during the Class Period.

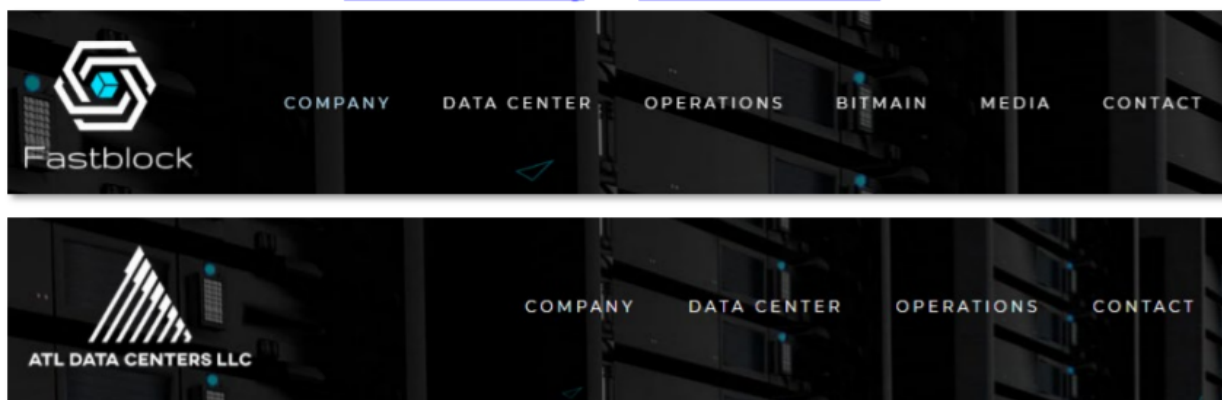
necessary for the acquisition to be economically viable. In addition, Marathon's withdrawal of its offer for Fastblock indicated that there might be other risks associated with ATL, including risks related to the planned expansion project.¹⁰ Culper Research concluded:

CleanSpark's potential lies of omission aside, we think investors buying CleanSpark for the Bitcoin-related hype are getting a broken-down Toyota Corolla, while CleanSpark claims it has a Porsche 911. *ATL's single measly warehouse has present capacity of just 3,471 ASIC miners and 245 PH/s, a fraction of miners such as RIOT Blockchain (RIOT) and Marathon Patent Group (MARA).* At its valuation of \$1.0 billion, we find CleanSpark overvalued by 6x to 9x.

49. In support of its claim that Fastblock and ATL were in essence just two different corporate shells that housed the same set of assets, Culper Research stated that "[t]he data center itself was previously held by Virtual Citadel, Inc. which initiated bankruptcy proceedings upon the death of its founder. Out of the bankruptcy process, the assets then appear to be owned by 'Fastblock Mining,' whose principals were also listed principals of ATL Data Centers, LLC." Culper Research also pointed out that (1) CleanSpark had announced that its due diligence into ATL began in February 2020, but ATL was not formed as a corporate entity until April 13, 2020; (2) ATL's website was not registered until December 8, 2020, two days before CleanSpark announced the acquisition; and (3) ATL's new website used basically the same branding as Fastblock, as reflected in the images below:

¹⁰ Just as CleanSpark had announced an expansion plan with respect to ATL, Marathon had announced a similar expansion plan with respect to Fastblock. In its August 26, 2020 press release, Marathon stated that "[t]he Company will work with Fastblock's management team to immediately begin expansion of the current power capacity in the Atlanta, Georgia facility from of 15MwH to 45MwH."

Fastblock Mining vs. ATL Data Centers



50. Culper Research stated, “[t]o us, this hasty rebranding was an attempt to dissociate ATL from its checkered history.”

51. In the morning of January 15, 2021, Culper Research published a Tweet stating that CleanSpark had declined to respond to its report. The Tweet further stated that Culper Research had emailed a series of questions to CleanSpark Chairman Matthew Schultz, and the Tweet repeated those questions, seeking public answers. Among the questions, Culper Research asked:

(i) “[p]lease explain why ATL Data Centers’ website was created just two days prior to its acquisition by CleanSpark. Were Fastblock’s abandoned assets simply rebranded as ATL?” and

(ii) “[d]oes ATL have a subsidized power agreement which could expire within 3 years? If so, why has the Company not disclosed this potentially devastating risk?”

52. Following the issuance of the Culper Report, the Company’s stock price fell \$3.63, or 9%, to close at \$35.71 per share on January 14, 2021, thereby damaging investors. The stock continued to decline the next trading session by \$4.56, or 13%, to close at \$31.15 per share on January 15, 2021.

53. On January 21, 2021, CleanSpark issued a press release entitled “CleanSpark Investigating Short Seller Culper Research.” While this press release characterized the Culper Report as a “a report making false accusations against CleanSpark and its officers,” it did not

identify which specific accusations CleanSpark claimed to be false. The press release also did not address the questions posed by Culper Research's January 15, 2021 Tweet.

54. While the Culper Report revealed to the market certain key facts concerning CleanSpark's acquisition of ATL and thereby partially corrected the misleading impression created by Defendants' statements, the Culper Report failed to identify additional misleading aspects of Defendants' statements concerning ATL and additional undisclosed risks that materialized in the months that followed. As detailed below, Defendants failed to disclose conditions at the ATL facility and other facts that created material risks concerning CleanSpark's expansion plan. Those undisclosed facts and conditions prevented CleanSpark from completing the expansion plan (and obtaining the projected hash rates and power expansion benchmarks) within the contemplated timeframe. These failures had a devastating effect on CleanSpark's stock price and thereby damaged investors.

E. The Undisclosed Background of ATL

1. ATL's Undisclosed Corporate History And Its Undisclosed Relationship To Fastblock

55. The corporate history of ATL is somewhat complex and difficult to unravel. As detailed below, this inscrutability appears to be by design, so that the origins of ATL and its relationship to Virtual Citadel and Fastblock Mining would not be easy to decipher.

56. Virtual Citadel, Inc. ("Virtual Citadel")—the Bitcoin mining business whose assets were ultimately conveyed to ATL—was founded by Michael Oken.¹¹ Oken died suddenly and unexpectedly on October 30, 2019.

¹¹ See *In re: Virtual Citadel, Inc.*, Case No. 20-62725 (Bankr. N.D. Ga.), Dkt. No. 11 at ¶12. The company that eventually became known as Virtual Citadel was originally called Integracore Incorporated ("Integracore"). Integracore was incorporated under the laws of the state of Georgia on July 27, 2000. Integracore changed its name to BroadRiver, Inc. ("BroadRiver") on September

57. On November 18, 2019, Bay Point Capital Partners LP, a creditor of one of Virtual Citadel's affiliates, and Joshua McDonald, a director of Virtual Citadel, filed an action in the Superior Court of Fulton County, Georgia seeking the appointment of a receiver for Virtual Citadel and certain affiliated entities, commencing Civil Action No. 2019-cv-329512 (the "Receivership Action"). On November 18, 2019, Marshall Glade was appointed receiver for Virtual Citadel and those affiliates. On January 31, 2020, Glade was appointed by the executor of Oken's estate as the Chief Restructuring Officer of all of those entities.

58. On February 14, 2020, Virtual Citadel filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division. In addition, on February 14, 2020, several affiliated entities owned and/or controlled by Oken also filed Chapter 11 bankruptcy petitions. Those entities were VC Mining Enterprises, Inc. ("VC Mining"), Godby-DC4, LLC ("Godby 4"), Godby-DC5, LLC ("Godby 5"), and Hemphill Avenue LLC ("Hemphill") (collectively, the "VC Related Entities" and, together with Virtual Citadel, the "Debtors"). On February 19, 2020, the bankruptcy court ordered that the Chapter 11 cases of Virtual Citadel and each of the VC Related Entities would be jointly administered under the docket of the Virtual Citadel case.

59. On February 20, 2020, Virtual Citadel filed a motion for an order approving bidding procedures in connection with a sale of substantially all of the Debtors' assets. The motion included a proposed asset purchase agreement with stalking horse Block Data Processing Corp ("Block Data").¹² Block Data's offer consisted of \$5 million in cash, as well as taking on some of

18, 2006. BroadRiver changed its name to Virtual Citadel, Inc. ("Virtual Citadel") on February 4, 2016.

¹² In the bankruptcy context, a "stalking horse" bidder is the initial bidder with whom the debtor negotiates a purchase agreement. The stalking horse sets a low-end bidding bar so that other bidders cannot underbid the purchase price.

the debtors' outstanding liabilities. On March 13, 2020, the bankruptcy court approved the motion, setting a bidding deadline of April 27, 2020. On April 28, 2020, the bankruptcy court entered an order designating stalking horse Block Data as the successful bidder.

60. Block Data was incorporated under the laws of the state of Delaware on December 10, 2019. On information and belief, Plaintiffs allege that Block Data was owned and/or controlled by Bernardo Schucman of Brazil. Plaintiffs' information and belief is based on, *inter alia*, the following facts: (1) according to FE1, Schucman owned Block Data, (2) Gustavo Lima Calderia De Andrada ("de Andrada") is listed as a director of Block Data on its annual report for 2021,¹³ (3) according to FE1, de Andrada is a business associate of Schucman who resides in Brazil, (4) both Schucman and de Andrada are listed as the organizers of ATL in the Articles of Organization filed by ATL with the Georgia Secretary of State, and (5) both Schucman and de Andrada are identified as sellers of ATL to CleanSpark in the Agreement and Plan of Merger filed by CleanSpark with the SEC at the time CleanSpark announced the acquisition.¹⁴

61. ATL was organized under the laws of the state of Georgia on April 13, 2020. Its Articles of Organization list Schucman and de Andrada as ATL's organizers and 2380 Godby Rd., Atlanta, GA, 30349 (the "Godby Road Property") as ATL's principal office address.¹⁵ According

¹³ Plaintiff's counsel was not able to obtain a copy of this annual report, but according to a representative of the Delaware Secretary of State, Gustavo Lima Calderia de Andrada was listed as a director of Block Data on that report. According to the representative of the Delaware Secretary of State, the annual reports of Block Data and other corporate records could not be sent to Plaintiff's counsel due to a "pending dissolution" of the company.

¹⁴ See Ex. 2.1 to Form 8-K filed by CleanSpark with the SEC on December 10, 2020. In addition to Schucman and de Andrada, John Allen Martins Blount is also identified as a seller in the Agreement and Plan of Merger.

¹⁵ The city in which the Godby Road Property is located is sometimes referred to as Atlanta, Georgia and sometimes referred to as College Park, Georgia in various bankruptcy and corporate filings. Compare, e.g., *In re: Virtual Citadel, Inc.*, Case No. 20-62725 (Bankr. N.D. Ga.), Dkt. No. 11 at 5 ("The Debtors' bitcoin mining operation is located in College Park, Georgia at 2380

to a bankruptcy filing dated July 27, 2020, “[a]s of June 5, 2020, ATL Data Centers purchased the Godby Road Property and assumed certain equipment/finance leases.”¹⁶ Therefore, at the time that ATL filed its Articles of Organization with the Georgia Secretary of State listing the Godby Road Property as ATL’s principal office address, ATL did not own the property yet. Indeed, at that time, Block Data did not own the property yet, because the bidding window for the Debtors’ assets had not closed and the bankruptcy court had not yet deemed Block Data to be the successful bidder. Thus, Schucman and de Andrada used the Godby Road Property for their own personal business purposes—to serve as the principal office of a new corporation that they were forming—before they even owned the property (and before any entity they controlled owned the property).

62. Fastblock Data Centers Inc. (“Fastblock”) was incorporated under the laws of the state of Delaware on February 19, 2020. On July 20, 2020, Fastblock filed with the Georgia Secretary of State an application for a certificate of authority to transact business as a foreign profit corporation in the state of Georgia.¹⁷ The application listed Schucman as the CEO and authorized signatory of Fastblock. The application listed the Godby Road Property as Fastblock’s principal office address.

63. On information and belief, Plaintiffs allege that Schucman offered and attempted to sell substantially the same assets (including the Bitcoin mining business and data center obtained

Godby Road, Atlanta, GA 30349 (the ‘Godby Road Property’).”) *with In re: Virtual Citadel, Inc.*, Case No. 20-62725 (Bankr. N.D. Ga.), Dkt. No. 170 at 41 (referring to property at “2380 Godby Road and 0 Godby Road, College Park, GA 30349, Fulton County”). Plaintiffs believe these two forms of the address refer to the same property. In addition, as noted in the Declaration of Marshall Glade in Support of Debtors’ Chapter 11 Petitions and First Day Motions, “The Godby Road Property on which the Debtors’ bitcoin mining operation is located is separated into two parcels that are owned, respectively, by Debtors Godby-DC4, LLC, and Godby-DC5, LLC.” *In re: Virtual Citadel, Inc.*, Case No. 20-62725 (Bankr. N.D. Ga.), Dkt. No. 11 at 6.

¹⁶ See *In re: Virtual Citadel, Inc.*, Case No. 20-62725 (Bankr. N.D. Ga.), Dkt. No. 170 at 4 n.1

¹⁷ On July 20, 2020, the Georgia Secretary of State approved the application.

in the Virtual Citadel bankruptcy proceedings) to Marathon, under the name of Fastblock Mining, that he later offered and sold to CleanSpark, under the name of ATL. Plaintiffs' information and belief is based on, *inter alia*, the following facts:

- (a) On August 26, 2020, Marathon issued a press release stating that it had executed a letter of intent to acquire "Fastblock Mining," that "Fastblock Mining was established in 2014¹⁸ by CEO and Co-Founder Bernardo Schucman, an expert in crypto mining," and that "Mr. Schucman will stay on with the combined Company and become Head of Mining Operations. Fastblock's executive team, consisting of John Blount and Gustavo Caldeira de Andrada, along with the 14 employees at the Atlanta facility, will continue to work at the Company."
- (b) A search of the websites of the Delaware and Georgia secretaries of state yielded no results for any company called "Fastblock Mining." As detailed above, however, a company called Fastblock Data Centers Inc. ("Fastblock") was formed by Schucman in Delaware on February 19, 2020, and it applied for a certificate to transact business in Georgia on July 20, 2020, about a month before Marathon announced its letter of intent to acquire Fastblock Mining.
- (c) The respective corporate filings of Fastblock and ATL list Schucman as the CEO of Fastblock and an organizer of ATL.
- (d) The respective corporate filings of Fastblock and ATL list the Godby Road Property address as the principal office address of both Fastblock and ATL.
- (e) The August 26, 2020 press release by Marathon lists Schucman, de Andrada, and Blount as the management team of Fastblock. The Agreement and Plan of Merger

¹⁸ See ¶63(l) n.20, *infra*.

between CleanSpark and the sellers of ATL identifies Schucman, de Andrada, and Blount as the sellers of ATL.

- (f) The respective press releases concerning both transactions refer to a similar amount of Bitcoin mining units (ASICs) to be conveyed in the respective transactions. The August 26, 2020 Marathon press release states “Marathon will also acquire 3,304 ASIC Miners from Fastblock’s customers.” The December 10, 2020 CleanSpark press release states “[t]here are currently 3,471 bitcoin mining units (‘ASICs’) in daily operation on site.”
- (g) The respective press releases concerning both transactions make similar representations concerning a lower than industry-standard electricity cost of \$0.0285 per Kwh. The August 26, 2020 Marathon press release states “[o]nce the transaction closes, the Company’s cost to mine Bitcoin will decline from \$7,400 per Bitcoin to \$3,600 per Bitcoin due to the lower than industry-standard electricity cost of \$0.0285 per Kwh.” The December 10, 2020 CleanSpark press release states “[t]he Company expects to demonstrate that, by using our technologies, we can reduce the cost of energy to below \$0.0285 per kw/h.”
- (h) The respective press releases concerning both transactions both reference a similar plan to expand power capacity. The August 26, 2020 Marathon press release states “[t]he Company will work with Fastblock’s management team to immediately begin expansion of the current power capacity in the Atlanta, Georgia facility from ... 15Mwh to 45Mwh.” The December 10, 2020 CleanSpark press release states “[a]s part of the first phase, the Company has contracted with the local municipality to expand the power to the facility from 20MW to 50MW. It is expected that this

expansion will begin promptly and be completed in April 2021.”

- (i) According to FE1, Marathon conducted due diligence with respect to a potential acquisition of ATL before pulling out of the transaction. *See infra* at ¶¶70-71.
- (j) The respective websites of Fastblock and ATL used very similar design elements and layouts to brand their respective companies. Copies of archived images from the website fastblockmining.com are attached hereto as Exhibit 4.¹⁹ Copies of archived images from atl-data.com are attached hereto as Exhibit 5.
- (k) CleanSpark never responded to the allegations of Culper Research that the assets that were the subject of Marathon’s aborted acquisition attempt of Fastblock Mining were the same as the assets that CleanSpark acquired in the ATL acquisition. CleanSpark never answered the questions posed by Culper Research’s January 15, 2021 Tweet, including the question “[p]lease explain why ATL Data Centers’ website was created just two days prior to its acquisition by CleanSpark. Were Fastblock’s abandoned assets simply rebranded as ATL?”
- (l) On October 14, 2021, a former friend and business associate of Schucman filed a lawsuit alleging that Fastblock and ATL were alter egos of one another and another entity controlled by Schucman. *See Mandelbaum v. Schucman*, Case No. 21-01712 (M.D. Fla. filed Oct. 14, 2021), Dkt. No. 1 (“*Mandelbaum Complaint*”). Among other things, Mandelbaum alleged (1) that he and Schucman “grew up together as close friends in Brazil,” (2) that he and Schucman formed a cryptocurrency mining company called Real Bit Investments, LLC (“Real Bit”) and signed an Operating

¹⁹ This website is no longer operative. Archived images were obtained using the Internet Archive’s Wayback Machine.

Agreement, (3) that Shucman breached the Operating Agreement, breached his fiduciary duties owed to Mandelbaum and the minority members of Real Bit, and committed fraud; (4) *that Fastblock and ATL were alter egos of one another and Real Bit and that they “perform[] the exact same services as Real Bit using its assets, goodwill, and intellectual property.”* *Id.* at ¶¶3, 8, 36, 70, 72.²⁰

- (m) The conclusion that Fastblock, ATL, and Block Data were all alter egos of Schucman and one another is further supported by Schucman’s disregard of corporate formalities, including Schucman’s use of the Godby Road Property address as the principal office address for ATL in ATL’s filing of its Articles of Organization to the Georgia Secretary of State, before ATL acquired the property and before the property was even acquired by Block Data in the bankruptcy. Schucman treated that property as his own, to be used for whatever corporate ventures he chose to pursue.

64. All of the foregoing facts support the conclusion that the assets that Schucman offered to sell to Marathon under the rubric of Fastblock Mining were the same assets that Schucman offered to sell to CleanSpark (and that CleanSpark did purchase) under the rubric of ATL.

65. The foregoing facts also support the conclusion that the structure of the proposed transactions and the disclosures surrounding those transactions served to obscure the origins of ATL and conceal from the market the overlap between Fastblock and ATL. The corporate filings of ATL make no mention of Fastblock, and vice versa. Neither corporation is in the lineal history

²⁰ The *Mandelbaum* Complaint also alleges that “Despite its incorporation in 2020, Schucman has bragged Fastblock has been active in the cryptomining industry since 2014 (the year Real Bit was formed in Delaware) during which time he claims it mined more than 50,000 Bitcoin.” *Id.* at ¶71.

of the other, so a review of the corporate filings of one would not point to the other. Similarly, the corporate filings of ATL and Fastblock make no mention of either Virtual Citadel or Block Data, which were not corporate predecessors of either entity, but simply sources of assets that Schucman shuffled from one corporate shell to another. In addition, the websites of both Fastblock and ATL made no mention of Virtual Citadel or Block Data.²¹ The creation of ATL’s website just two days before CleanSpark announced the acquisition supports Culper Research’s conclusion that “this hasty rebranding was an attempt to dissociate ATL from its checkered history.”

66. The press release that CleanSpark used to announce the acquisition of ATL made no mention of Virtual Citadel, Block Data, Fastblock, Marathon’s initial decision to acquire Fastblock Mining, or Marathon’s subsequent decision to walk away from the acquisition. The omission of these facts concealed risks underlying CleanSpark’s acquisition of ATL.

2. Additional Undisclosed Conditions At ATL Prior To And Following CleanSpark’s Acquisition

67. Beyond the undisclosed facts concerning ATL’s corporate history—including Virtual Citadel’s bankruptcy, Schucman’s attempt to sell Virtual Citadel’s assets to Marathon, and Marathon’s decision to walk away from the deal—CleanSpark also failed to disclose a number of material facts concerning, among other things, the physical condition of the ATL facility, the due diligence that CleanSpark conducted before the acquisition, and factors affecting the timeline for the contemplated expansion of the power at the facility. These undisclosed facts included conditions that existed both prior to the acquisition and following the acquisition. The allegations

²¹ Fastblock Mining’s website (<https://fastblockmining.com/>) is no longer operative, but searches of archived images of this website using the Internet Archive’s Wayback Machine showed no references to either Virtual Citadel or Block Data. Similarly, ATL’s website (<https://www.atl-data.com/>) makes no reference to either Virtual Citadel or Block Data; this is true with respect to both the current website (which is still operative) and searches of archived images of this website using the Internet Archive’s Wayback Machine.

in this section are principally derived from the account of a former employee who acted as the General Manager of ATL both prior to and following the acquisition by CleanSpark.

68. Former Employee 1 (“FE1”) became the General Manager of VC Mining in or around June 2019.²² FE1 continued in that role after Oken’s death. During the receivership, VC Mining was closed and FE1 became the General Manager of Virtual Citadel. FE1 continued as the General Manager of Virtual Citadel’s business as it went through name changes into Block Data and ATL. FE1 remained as the General Manager of ATL following its acquisition by CleanSpark and continued in that role through the end of June 2021. According to FE1, “[t]he businesses changed under me, but once I became GM, my title never changed.”

69. FE1’s responsibilities included managing the books of the company, project management, and meeting regularly with the two directors, one of whom oversaw the data center and also worked on the Bitcoin mining business and the other of whom was the director of facilities. According to FE1, the two directors “were responsible for the day-to-day work of maintaining [the] two parts of the business, but I oversaw all the projects that affected the entire company.” FE1 stated that it was not uncommon for there to be 10 to 20 different projects underway at any given time. FE1 also was responsible for human resources, hiring and firing. According to FE1, the number of employees at the company fluctuated between approximately 17 and 20 employees. FE1 had four direct reports, including the controller, the two directors, and an assistant.

70. According to FE1, throughout the bankruptcy, Schucman was focused on turning ATL into a public company or selling it to an existing publicly traded company. FE1 stated that

²² The pronouns “she” and “her” will be used to refer to former employees regardless of their actual gender in order to conceal their identities.

Schucman was originally engaged in discussions with Marathon to take over ATL, and when Marathon backed out from the acquisition, Schucman started to talk to Zach Bradford of CleanSpark. Schucman told FE1 that he had been friends with Bradford for a while, but Schucman did not tell FE1 the precise nature of their preexisting relationship.

71. FE1 stated that she was not given a reason why Marathon backed away from the deal, but she believed that the reason that Marathon gave to the public—an expiring power agreement with a subsidized rate of \$0.0285KwH—was not the entire reason, or even the principal reason, that the deal collapsed. FE1 stated that she believes one reason Marathon pulled out had to do with the two-part structure of the business, consisting of both a data center and a Bitcoin mining enterprise. According to FE1, as negotiations increased with Marathon, it became clearer and clearer that ATL was not poised for success with respect to the data center component of the business. FE1 stated that Oken had allowed all of the certifications for the data center to lapse, and that it would take close to \$100,000 and six to eight months to regain the certifications. FE1 stated that it was not hard for Marathon to figure out the data center business was not a thriving business, and that with the amount of money Marathon was going to have to invest to make it a thriving business, Marathon was not going to see a return on its investment for many years. In addition, FE1 stated that she believed that part of the reason that Marathon backed out of the deal may have had to do with undisclosed third-party issues, but FE1 did not have additional information about those issues.

72. According to FE1, during CleanSpark's due diligence process, FE1 provided extensive financial reports to CleanSpark, and CleanSpark was given full access to ATL's books. Among other things, FE1 indicated that she personally provided information to Bradford and CleanSpark CFO Lori Love that outlined the steep costs to be incurred to get the data center back

to operational. FE1 knew Bradford reviewed this information because she saw his comments on some of the materials provided.

73. FE1 stated that as part of CleanSpark's acquisition process, CleanSpark conducted two audits of ATL, one prior to the closing of the deal and a second one shortly after the acquisition. According to FE1, Love told her that the second audit was a federal requirement of the SEC. FE1 stated that both of the audits were performed by Blue Chip Accounting, LLC, a company co-founded by Bradford on which Bradford still serves as a senior executive.

74. With respect to the condition of the existing Bitcoin mining facility at the time of the CleanSpark acquisition, FE1 stated that the facility had been pieced and patched together by individuals who cut corners and did not apply for permits. FE1 stated that to access a part of the facility that housed the Bitcoin miners, employees had to climb a rickety set of stairs that were not OSHA-compliant. FE1 stated that employees would dig trenches on the property and not put any barriers around the trenches and that there were approximately nine or 11 transformers on property on the ground that were not blocked off. According to FE1, one on occasion in March or April 2021, an employee was nearly electrocuted. FE1 stated that she used WhatsApp, which CleanSpark utilized for real-time conversations between senior executives, to relay safety concerns. However, according to FE1, she stopped this practice after CleanSpark Chief of Staff Natasha Betancourt, who joined the Company in May 2021, told her not to put anything important on WhatsApp.

75. With respect to CleanSpark's plans for improving and expanding the Bitcoin mining facility, FE1 stated that in January or February 2021, Bradford tasked FE1 with preparing with a detailed timeline and construction plan for the expansion project. According to FE1, she prepared the most aggressive plan that could be realistically implemented and this plan

contemplated a completion date in October 2021, about ten months following the CleanSpark acquisition. FE1 stated that she presented this plan to Bradford in January or February 2021 and told him that this was an aggressive project plan and it assumed that there would be no delays or weather issues. According to FE1, Bradford “had a fit” and stated that the proposed completion date was unacceptable because he had already publicly stated that he was going to have a new facility up and running in four months. FE1 stated that Bradford ended the conversation by telling FE1 to rework the plan and to somehow make it work. FE1 responded that there really wasn’t any way to do that and that her timeline was based on what she understood the City of College Park to be delivering. FE1 stated that within “a matter of weeks” following this conversation, she was cut out of the planning process for the expansion project.

76. According to FE1, Bradford’s four month estimate for the completion of the expansion project was not grounded in reality and failed to account for obvious issues. FE1 stated that as of February 2021, CleanSpark did not have construction permits, did not have a contract with a general contractor, and did not have a contract for the build of the mining container units. FE1 stated that the construction project involved two structures, an engineering shed close to the back of the property and a larger storage structure along the end of the property that would block the view of mining container units and some of the noise. According to FE1, the architectural drawings and engineering plans were not completed until March 2021 at the earliest.

77. In addition, FE1 stated that there were multiple items that complicated the expansion project. For example, FE1 stated that the property was full of trees and Georgia has a law that requires the property owner to plant a tree of equal size for every tree that is cut down. FE1 stated that ATL therefore had to measure every tree on the property and come up with a deforestation plan, which was completed around the same time that the drawings were delivered.

FE1 stated that the City of College Park also required ATL to conduct a noise study because it was concerned that the Bitcoin miners would make too much noise. FE1 stated that the noise study was not completed until May 2021.

78. According to FE1, ATL did not even begin the process of applying for construction permits until just prior to the time that FE1 left ATL at the end of June 2021. FE1 stated that by the time she left ATL, the expected completion date for project was later than the contemplated completion date in the original plan that she had presented to Bradford and that Bradford had rejected as unacceptable.

79. FE1 also noted that several individuals had expressed to her that Bradford was jumping the gun with his public announcements. According to FE1, three non-CleanSpark employees expressed this sentiment, including (i) Schucman, (ii) a lawyer who had been hired to assist with the acquisition, and (iii) Lorne Greenfield of Capital Concepts USA LLC, a financial consultant who had been hired by the court-appointed receiver and who continued assisting FE1 after the acquisition.

F. Following The ATL Acquisition, Defendants Continued To Make Misleading Statements Concerning The Project Timeline While Corrective Information Was Slowly Leaked To The Market In A Series Of Partial Disclosures

80. As noted above, when CleanSpark announced the acquisition of ATL on December 10, 2020, Defendants stated that the planned expansion of the power capacity at the facility from 20MW to 50MW was expected to be complete by April 2021. For the reasons set forth in Section IV.E.2, *supra*, this proposed completion date lacked any reasonable basis. At the time the December 10, 2020 statements were made, CleanSpark and ATL did not have a contract with a general contractor, a contract for the build of the mining container units, or a design of the facility, let alone construction permits.

81. In the months that followed, Defendants issued periodic revisions of the project

timeline. However, rather than providing an honest assessment of the expected completion date, Defendants instead gradually released incremental revisions and slowly pushed back the completion timeline. Defendants' shifting projections of the completion date consistently ignored known facts, including the detailed project timeline prepared by FE1.

82. As the delays in the expansion project became more and more pronounced, CleanSpark was left with the problem of being unable to deploy the massive amounts of Bitcoin mining equipment that it had purchased. Defendants therefore resorted to alternative, less-profitable techniques to expand CleanSpark's mining capacity, including (1) entering into a services agreement with a third party to house and power CleanSpark's Bitcoin mining equipment and (2) acquiring a second data center. These transactions allowed CleanSpark to increase its hash rate, but by doing so, CleanSpark was not able to achieve the degree of profitability and growth that investors had been led to expect based on Defendants' misrepresentations.

83. As detailed below, the truth about Defendants' misrepresentations was gradually revealed, and the concealed risks materialized, as a series of partial disclosures battered CleanSpark's stock price, causing substantial damages to investors.

1. Following The ATL Acquisition, CleanSpark Immediately Began To Purchase New Bitcoin Mining Equipment

84. According to FE1, immediately following CleanSpark's acquisition of ATL, Bradford began to purchase millions of dollars of new mining equipment. FE1 stated that ATL's existing facility did not have enough room for the new equipment purchased.

85. FE1's allegations concerning equipment purchases is supported by CleanSpark's public statements. For example, on December 18, 2020, CleanSpark provided an update on its Bitcoin mining operations and expansion, announcing that the Company had ordered 500 additional Bitcoin mining ASICs to be delivered in the second week of January. On December

22, 2020, Clean Spark issued a press release announcing that it had ordered an additional 1,000 ASICs, slated for delivery in January. The press release stated in relevant part:

“We are excited about demonstrating the efficiency of microgrid solutions on high-density energy operations. *As we work towards the implementation of the facility power system upgrade, our focus is on maximizing the total Bitcoin output by immediately adding ASICs. In the Bitcoin mining industry, time is money*, and due to the meteoric rise in price, ASIC miners are exceedingly difficult to procure. *Many mining companies, both publicly traded and privately held, have stated plans to expand capacity in six to nine months, however we have focused on sourcing units for immediate deployment*. As Bitcoin prices have continued to rise, and industry leaders such as Square, PayPal, MicroStrategy and others have made substantial investments in Bitcoin, we believe this strategy will provide exceptional returns for our shareholders,” stated Zachary Bradford, CleanSpark’s President and Chief Executive Officer. “This opportunity presented us a chance to deploy additional resources in furtherance of our strategy to utilize the available energy supply in the most efficient and profitable manner possible,” concluded Bradford.

86. Bradford’s statement acknowledged that “time is money” in the Bitcoin mining industry and suggested that the value that CleanSpark expected to deliver to its shareholders depended on successfully executing its plan to immediately deploy the new mining equipment. Bradford differentiated CleanSpark from other companies in the Bitcoin space by pointing out that those companies expected to expand capacity in six to nine months, whereas Bitcoin was sourcing units for “immediate deployment.” This statement was made less than two weeks after Bradford had told shareholders that power capacity at the ATL facility would be expanded from 20MW to 50MW by the end of April 2021.

87. Throughout the Class Period, CleanSpark made multiple announcements concerning the acquisition of new Bitcoin mining equipment, including on: March 2, 2021 (announcing an additional 2,500 ASIC mining rigs); March 9, 2021 (announcing purchase of 1,150 new mining rigs); March 26, 2021 (announcing order of 4,778 additional Bitmain brand S19 mining rigs); April 1, 2021 (announcing purchase of an aggregate of 750 mining rigs); April 8, 2021 (announcing purchase of an aggregate of 700 mining rigs); April 15, 2021 (announcing

purchases 22,680 mining rigs); May 13, 2021 (announcing purchase of 2,400 S19-Pro mining rigs); August 3, 2021 (announcing 9,170 mining rigs with additional units arriving in later in the month); August 10, 2021 (announcing over 23,500 S19 ASICS miners will be delivered over the coming year).

2. During February And March 2021, Defendants Made Incremental Revisions To The Publicly Stated Project Timeline, But Each Of These Projections Ignored Material Facts And Failed To Provide A Realistic Timeframe For Project Completion

88. On February 12, 2021, CleanSpark announced its financial results for the fiscal quarter ended December 31, 2020 (“Q1 2021”). In the press release announcing those results, CleanSpark stated that the expected completion date for the expansion of the power capacity at the ATL facility was now “mid-year 2021” rather than April 2021:

The Company has contracted with the local municipality to bring 30MW of additional power to a property adjacent to ATL property to support additional CleanSpark Bitcoin mining operations. This will bring the total power available for mining and data centers for CleanSpark subsidiaries from 20MW to 50MW. *The capacity increase is underway and is expected to be complete by mid-year 2021.*

89. On this news, CleanSpark’s stock price fell \$1.04, or 3.6%, to close at \$28.23 per share on February 12, 2021, thereby damaging investors.

90. While this announcement acknowledged a slippage in the originally projected completion date, the newly projected completion date of “mid-year 2021” also lacked a reasonable basis and ignored known facts that undermined the accuracy of the projection. At the time the February 12, 2021 statement was made, CleanSpark and ATL still did not have a contract with a general contractor, a contract for the build of the mining container units, or completed architectural and engineering drawings.

91. On February 18, 2021, CleanSpark held a virtual conference with CleanSpark investors to discuss, among other things, the financial results of the Company’s most recently

completed quarter and the performance of the Company's Bitcoin operations. During that call, Bradford stated in relevant part:

But I want to speak about what we're working on for the future. At the current site we have in Atlanta we are working on expanding the facility. We actually are adding a second data center next to the one that currently exists and adding infrastructure. ***That infrastructure and energy is going to bring on an additional 30 MW of power. Now we expect everything to be online, both the power, new miners, and we expect to reach about 1.3 exahashes or 1300 petahashes, by mid-summer.***

92. While this statement acknowledged a further slippage in the projected completion date (from "mid-year" to "mid-summer"), it still lacked a reasonable basis. Just as with the February 12, 2021 statement, at the time the February 18, 2021 statement was made, CleanSpark and ATL still did not have a contract with a general contractor, a contract for the build of the mining container units, or completed architectural and engineering drawings.

93. On March 2, 2021, CleanSpark issued a press release entitled "CleanSpark Secures Additional Bitcoin Miners for Delivery and Deployment Early Summer."²³ The press release stated, in relevant part:

Zach Bradford, CleanSpark's Chief Executive Officer stated, "We continue to aggressively pursue the growth of our hash rate capacity and ***expect to reach 1 to 1.3 EH/s in total production capacity this summer. 'Time is money' in this sector, and these orders allow us to immediately put the 30 MW of increased power into use as soon as it comes online.***"

94. While this statement did not specify when in the summer Defendants expected to complete the power capacity expansion and the achievement of the 1.0 to 1.3 EH/s hash rate, subsequent statements by Defendants construed this new projected completion date to be the "end of summer."²⁴ Nevertheless, notwithstanding the multiple incremental revisions to the publicly

²³ A copy of the press release was attached to a Form 8-K filed with the SEC a day earlier, on March 1, 2021.

²⁴ See ¶¶97-98, *infra*.

disclosed expected completion date (from April to “mid-year” to “mid-summer” to “this summer”), none of these projections were based on reality or an honest assessment by Defendants of how long it would take to complete the expansion project. By the time of CleanSpark’s March 2, 2021 press release, FE1 had already provided to Bradford a detailed project timeline with an expected completion date of October 2021 and told Bradford that this was an aggressive plan that assumed no delays. At the time of the March 2, 2021 press release, CleanSpark had not even started the process of applying for construction permits.

3. In March 2021, CleanSpark Conducted A \$200 Million Public Offering To Finance Its Expansion Project

95. On March 15, 2021, after market close, CleanSpark announced that it would be conducting a \$200 million underwritten public offering of 9,090,910 shares of common stock at a public offering price of \$22.00 per share. In a press release discussing the offering, CleanSpark stated that it “intends to use the net proceeds from the offering for working capital and general corporate purposes, *including infrastructure expansion, the acquisition of additional cryptocurrency miners* and further development of its mVault product lines, as well as acquisitions or strategic investments in complimentary businesses, products, services or technologies.” According to FE1, CleanSpark needed the \$200 million to fund the buildout at the ATL facility.

96. This announcement revealed to the market that CleanSpark would need significant additional capital to complete the expansion project and that a significant dilution of the equity of existing shareholders was necessary to raise these funds. On this news, CleanSpark’s stock price fell \$6.66, or 22.7%, to close at \$22.68 per share on March 16, 2021, thereby damaging investors.

4. During The Spring Of 2021, Defendants Pushed Back The Project Completion Date To The End Of Summer Of 2021

97. On March 26, 2021, issued a press release entitled “CleanSpark Purchases Bitcoin Mining Equipment and Infrastructure; Discloses Current 95% Carbon-Free Mining.” The press release stated, in relevant part:

CleanSpark currently operates Bitcoin mining rigs capable of processing approximately 315 PH/s within its Atlanta complex, and **as previously announced, it intends to reach between 1.0 and 1.3 EH/s by the end of summer, 2021.**

98. On April 15, 2021, CleanSpark issued a press release concerning the purchase of additional Bitcoin mining equipment. The press release repeated the same language from the March 26, 2021 press release and once again projected that CleanSpark would achieve a hash rate of 1.0 to 1.3 EH/s by the “end of summer”:

CleanSpark currently operates Bitcoin mining rigs capable of processing approximately 315 PH/s within its Atlanta complex, and **as previously announced, it intends to reach between 1.0 and 1.3 EH/s by the end of summer, 2021.**

99. On May 6, 2021, On May 6, 2021, CleanSpark announced its financial results for the fiscal quarter ended March 31, 2021 (“Q2 2021”). In the press release announcing those results, CleanSpark stated that the power expansion from 20MW to 50MW was “underway” and “expected to be complete by summer 2021”:

Our project to add 30MW of additional power to support additional CleanSpark Bitcoin mining operations is ongoing. ***Upon completion of the project, this will bring the total power available for mining and data centers for CleanSpark subsidiaries from 20MW to 50MW. The capacity increase is underway and is expected to be complete by summer 2021.*** In addition to the 30 MW of additional power to be delivered by the local utility, CleanSpark expects to subsequently add renewable energy generating assets and energy storage to the site, which will be operated by the Company’s patented mPulse controls.

100. Just as with the prior projected completion dates, the projected timelines set forth in ¶¶97-99 were all materially false and misleading. FE1 had provided Bradford a detailed project timeline in January or February 2021 that contemplated a completion date of October 2021, and

since that time, there had only been further delays, including the City of College Park requiring a noise study. At the time of the May 6, 2021 statement, CleanSpark still did not have construction permits. FE1 noted that by the time she left CleanSpark at the end of June 2021, the expansion project was behind schedule even as compared to the original project timeline that she had provided to Bradford.

5. In June 2021, Culper Research Issued A Second Report, Revealing Additional Risks About CleanSpark's Bitcoin Mining Business

101. On June 18, 2021, Culper Research issued a follow up to its previous report that had been published on January 14, 2021. The new report was entitled “CleanSpark, Inc. (CLSK): Mining Operations Don’t Add Up” (the “Supplemental Culper Report”). A copy of the Supplemental Culper Report is attached hereto as Exhibit 3.

102. Among other things, the Supplemental Culper Report alleged that Culper was unable to reconcile CleanSpark’s reported financials with respect to its digital currency mining segment and that it appeared CleanSpark was understating the costs of its Bitcoin mining operations. The report stated:

We are unable to reconcile the Company’s reported financials in its digital currency mining segment – i.e., ATL Data Centers (“ATL”) and CleanBlok, LLC [a wholly-owned subsidiary of CleanSpark]. Namely, CleanSpark claims that total Q1 2021 segment costs and expenses (pg. F-29) were just \$611,863, yet we obtained ATL’s monthly power bills, which total \$693,144.70 for Q1 2021²⁵ – a greater sum than the entire segment costs, not to mention rent expenses, employee expenses, and any additional expenses. To us, this discrepancy calls into question CleanSpark’s internal controls and processes, financial reporting, and purported profitability of its cryptocurrency mining operations. We have attached ATL’s power bills to the end of this report.

103. In addition, the Supplemental Culper Report claimed that Culper had obtained

²⁵ While Culper alternatively used the term “Q1 2021” or “calendar Q1 2021” to refer to the quarter ended March 31, 2021, Plaintiffs refer to this quarter as Q2 2021, because CleanSpark’s fiscal year begins on October 1 and ends on September 30.

internal emails from the City of College Park Power Department and stated that these emails raised issues concerning potential increases in the energy costs that CleanSpark might face in the future.

The report stated:

Our original report also detailed our view that ATL benefits from a subsidized power cost which is set to expire in 3 years. We have since obtained internal emails from the City of College Park Power Department (excerpts attached), which, when viewed in tandem with the aforementioned monthly power bills, appear to confirm our view. CleanSpark continues to tout “low power costs”, yet appears unwilling to address whether or not these power costs are set to rise significantly in 2024. We find that telling.

104. The Supplemental Culper Report revealed to the market material risks concerning the accuracy of CleanSpark’s financial reporting and the current and future costs associated with CleanSpark’s Bitcoin mining business.

105. On this news, the Company’s stock price fell \$1.14, or 5.7%, to close at \$18.71 per share on June 18, 2021, thereby damaging investors. The stock continued to decline the next trading session by \$1.55, or 8.3%, to close at \$17.16 per share, further damaging investors.

6. In July And August 2021, Defendants Announced That CleanSpark Was Engaging In Alternative Means To Expand Its Bitcoin Mining Capacity While The ATL Expansion Project Was Delayed

106. On July 14, 2021, CleanSpark issued a press release and filed a Form 8-K with the SEC disclosing that CleanSpark, through its wholly owned subsidiary CleanBlok, Inc., had entered into a services agreement with a company called Coinmint, LLC (“Coinmint”). Pursuant to this services agreement, Coinmint agreed to house and power certain of CleanBlok’s cryptocurrency mining equipment in its facilities, and to use commercially reasonable efforts to mine Bitcoin through an agreed upon third-party provider on behalf of CleanBlok. According to the Form 8-K:

All Bitcoin mining services performed by Coinmint and the Third-Party Provider for CleanBlok shall be conducted using mining equipment owned by CleanBlok, which equipment will be delivered by CleanBlok to the housing location over the course of the term of the Agreement.

Pursuant to the Agreement, as consideration for the Services, CleanBlok shall pay Coinmint certain services fees, which shall be based on the operating costs incurred by Coinmint in performing the Services, ***and a variable fee calculated based on the profitability of the Bitcoin mined during the relevant payment period, subject to uptime performance commitments.***

The Agreement has an initial term of one year, after which it will renew automatically for three-month periods until terminated in accordance with the terms of the Agreement.

107. In its July 14, 2021 press release, CleanSpark further explained that the Coinmint Agreement would help CleanSpark attain its targeted hashrate goals in an expedited fashion while the power capacity expansion project in the ATL facility was ongoing. The press release stated, in relevant part:

CleanSpark plans to deploy approximately 750 PH/s in hashrate capacity at Coinmint’s facility in Massena, New York between July and September 2021. To support this hashrate, Coinmint has agreed to provide 25 MW of power, provide operations support and commit to 98% uptime. ***The Company expects this agreement to rapidly increase its overall hashrate across all Bitcoin mining locations to 1.2 EH/s upon installation*** and believes that it will allow CleanSpark to maximize its Bitcoin production while maintaining all aspects of the Company’s ESG-based mining philosophy.²⁶

...

CleanSpark President and CEO Zach Bradford added, “This is a very exciting opportunity for CleanSpark. We are pleased to align ourselves with a company that has a similar ESG approach and a strong history of performance as a mining service provider. ***We anticipate that this agreement will enable us to expedite the time to reach 1.2 EH/s.*** All of our recent shipments of mining rigs have arrived as agreed under our purchase agreements. Over the course of the next three months, we plan to redirect our shipments to the Coinmint facilities to maximize the contracted 25 MW of clean power. Once we have reached full allocated capacity under the Coinmint agreement, we will then direct shipments of the new units to our Atlanta facilities.”

Mr. Bradford further commented, ***“The 30MW energy expansion of our wholly-owned facilities is progressing and will be finalized in the coming months to bring***

²⁶ “ESG” refers to “environmental, social and corporate governance.” The release stated: “Coinmint is focused on all aspects of environmental, social and corporate governance (‘ESG’); in addition to operating a site powered primarily by renewable energy, Coinmint focuses on sustainability and providing jobs within their community.”

our Atlanta facilities to 50MW of total capacity. We intend to deploy miners to utilize the total available capacity in Atlanta with the units scheduled to arrive between September 2021 and January 2022. Upon installation, CleanSpark's total deployed hashrate is expected to exceed 2.1 EH/s. Due to the rapid exodus of Chinese miners, an industry-wide shift has taken place, and we believe that this is the perfect time to align with a partner to secure additional capacity to create flexibility and sustainability in our overall operations. This partnership is expected to provide us additional flexibility over time with a like-minded partner to continue the growth of our mining operations. We anticipate that this flexibility will allow us to continue to deploy capital on new facilities and power expansion. The CleanSpark energy team is excited by the opportunity to support Coinmint in achieving their goal of 100% carbon-free operations, an objective shared across all of our business units."

108. CleanSpark attached a copy of its agreement with Coinmint to its Form 10-Q filed with the SEC on August 16, 2021. However, this copy of the agreement redacted key provisions and did not include the information necessary to calculate the performance fee or the deposit and the reservation fees. Thus, investors were unable to meaningfully analyze the terms of the Coinmint agreement and compare the profitability of CleanSpark's mining operations conducted under the Coinmint agreement to the profitability of CleanSpark's mining operations conducted at the ATL facility. However, the valuation that the market gave to CleanSpark when it announced the ATL acquisition was based on CleanSpark conducting its own Bitcoin mining operations at the ATL facility operating under the terms of a beneficial contract that provided lower than industry-standard electricity costs, not a mining operation in which CleanSpark conducted Bitcoin mining in a third-party's facility under a profit-sharing arrangement.

109. On August 10, 2021, CleanSpark issued a press release announcing that it had acquired a second data center in Norcross, Georgia for \$6.55 million. The press release explained that the acquisition, along with the Coinmint transaction, allowed CleanSpark to increase its overall Bitcoin mining capacity. The press release stated, in relevant part:

CleanSpark, Inc. (Nasdaq: CLSK) (the "Company" or "CleanSpark"), a clean Bitcoin mining and diversified software and services company, today announced that it has closed on its acquisition of an additional nearly 87,000 square foot data

center in Norcross, Georgia, to substantially increase the Company's Bitcoin mining operation.

The \$6.55M purchase of the former Sprint/Nextel data center situated on over 7 acres in Norcross, Georgia closed on August 6, 2021. The facility, located 33 miles from the current ATL Data Center and CleanBlok operations in Atlanta, will provide 20 MW of additional power to CleanSpark's mining business with the opportunity for significant expansion. The Company expects to complete the installation of the mining infrastructure and have the miners running by late 2021.

CleanSpark President and CEO Zach Bradford said, "This facility, with its 20 MW of power, will allow us to put over 6,000 additional S19s into operation. It is expected to produce over 650 PH/s upon installation. Based on current difficulty rates, this processing power would result in an additional 5 to 6 bitcoins per day. This, along with our other initiatives, is expected to result in 2.0 EH/s by the end of 2021, which, at current difficulty rates would result in 17 to 18 bitcoin per day."

Bradford continued, "*We have been working on a number of opportunities to increase our Bitcoin production capabilities, including energy expansion in Atlanta, our partnership with Coinmint, and now the purchase of this facility to increase the total energy capacity in our portfolio.* We have over 23,500 S19 ASICS miners that will be delivered over the coming year—planning for responsible energy expansion has been paramount. Our focus on ESG has been at the forefront of all our efforts and we expect to lead sustainable practices in the industry. CleanSpark now directly owns and operates facilities that will bring a combined 70MW of 95%-plus carbon-free energy capacity, with the ability to further expand."

7. On August 17, 2021, Defendants Announce That The Power Expansion At The ATL Facility Would Not Be Complete Until The Fall Of 2021

110. On August 17, 2021, CleanSpark announced its financial results for the fiscal quarter ended June 30, 2021 ("Q3 2021"). In the press release announcing those results, CleanSpark acknowledged that it still had not completed the expansion of the ATL facility in Atlanta, and that the expansion to 50MW at the facility was now expected to be completed "this fall." With respect to hashrate, the press release stated that CleanSpark's total hash rate capacity was now 820 PH/s, still short of the rate of 1.0 to 1.3 EH/s that had been projected (although the press release stated that CleanSpark anticipated achieving 1.0 EH/s "within the coming month").

The press release did not break down how much of CleanSpark's hashrate capacity was attributable to the ATL facility in Atlanta, as opposed to CleanSpark's mining operations conducted through the Coinmint agreement. The press release made clear, however, that the ATL expansion project was still incomplete and had not yet achieved the benchmark of 50MW.

111. The press release stated in relevant part:

Current hashrate capacity now exceeds 820 PH/s, which is nearly double the capacity just 46 days ago. The Company anticipates achieving 1.0 EH/s in production capacity within the coming month when the balance of the mining rigs scheduled to be hashing in August are installed. To put this in perspective, the Company produced just over 3 BTC on June 30. It is now capable of producing between 6 and 7 Bitcoin per day. At current difficulty rates, 1.0 EH/s would result in approximately 8-9 bitcoins per day, which would result in \$376,000 to \$423,000 per day, or \$137 million to \$154 million in annualized revenue, using a bitcoin price of \$47,000.

CleanSpark continues to work on expanding its total energy capacity to accelerate the growth of its bitcoin mining operations in Atlanta this fall. The expansion will bring this site's total capacity to 50 MW. In addition to this expansion, a partnership with Coinmint has allowed the Company to continue growth while construction is ongoing. All the new mining rigs received this summer were promptly deployed with Coinmint. This partnership has increased the total available power for mining by approximately 25 MW.

112. On this news, CleanSpark's stock price fell \$2.08, or 15.1%, to close at \$11.65 per share on August 17, 2021, thereby damaging investors.

8. Following The End Of The Class Period, Defendants Admit That The Power Expansion At The End Of The ATL Facility Was Still Not Complete As Of The Middle of December 2021

113. On December 14, 2021, CleanSpark had its earnings call for Q4 2021. During that call, Defendants implicitly acknowledged that CleanSpark *still* had not completed the ATL expansion project and that the ATL facility *still* had not achieved an expansion of its power capacity to 50MW.

114. During his prepared remarks, Bradford stated, “[a]s of today’s filing, our hashrate is approximately **1.3 exahash**. Our calendar year to date bitcoin production as of the end of November is a 1,083 and we have about **40 megawatt machine to operating**.”

115. During the question and answer portion of the call, CleanSpark’s General Counsel Rachel Silverstein relayed the following question from an analyst: “[i]n megawatt equivalency, roughly how many megawatts are expected to come online in the next few weeks?”

116. Bradford responded:

This is Zach, again, I can answer that question. It’s going to be about 23 megawatts of power that’s going to be coming online at the College Park facility. We also expect an additional 5 megawatts to be coming online in the next few weeks with one of our partners. So it’s -- and I’m using round numbers here, it’s going to be about 28 megawatts of total power coming online over the next couple of weeks.

117. Thus, according to Bradford’s statements, CleanSpark’s total hash rate capacity—across all facilities, including the ATL facility in College Park and the Coinmint facility—was 1.3 EH/s and the total MW that were online across all facilities was 40MW, with an additional 23MW to come online at the ATL facility in “the next few weeks.” Thus, even by December 14, 2021, CleanSpark still had not achieved the power expansion to 50MW at the ATL facility in College Park.

V. MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

118. The Class Period begins on December 10, 2020. On that day, the Company issued a press release entitled “CleanSpark Agrees to Acquire Bitcoin Miner ATL Data Center.” A copy of the press release was attached as Exhibit 99.1 to a Form 8-K filed with the SEC on December 10, 2020. The press release stated, in relevant part:

CleanSpark Agrees to Acquire Bitcoin Miner ATL Data Center

Acquisition to provide profitable, full-scale demonstration facility to maximize energy efficiency and integrate renewables for power intensive applications such

as high-density data centers and bitcoin mining

SALT LAKE CITY, UT, December 10, 2020 – CleanSpark, Inc. (Nasdaq: CLSK) (“CleanSpark” or the “Company”), an advanced software and controls technology solutions company, focused on solving modern energy challenges, today announced it has agreed to acquire ATL Data Centers, LLC (“ATL”) for up to \$19.4 million in shares of the Company’s common stock.

This transaction represents the first strategic acquisition as part of a larger growth plan following CleanSpark’s recent \$40M institutional investment. ATL creates a unique business opportunity as a full-scale, profitable demonstration facility for the Company. The property is currently served by two separate utility interconnections with entirely different rate structures that power individual segments of the business. CleanSpark plans to deploy its software technologies and trade secrets to maximize energy savings, expand total power capacity, provide resilient electricity, and reduce greenhouse gas emissions. The Company anticipates that this will involve the design and installation of multiple microgrids at the facility. Each microgrid would be focused on a specific function, however, the fractal topology of the design will enable them to be interconnected to share power, creating resiliency as well as maximizing total facility efficiency. Since power resiliency directly supports increased profitability in data or processor intensive applications, the Company’s ability to deliver high power reliability is expected to demonstrably increase profitability of each segment of the existing business.

As part of the first phase, the Company has contracted with the local municipality to expand the power to the facility from 20MW to 50MW. It is expected that this expansion will begin promptly and be completed in April 2021. In addition to this initial utility-level expansion, CleanSpark will begin modeling solutions with its proprietary mVSO software and subsequently add renewable energy generating assets and energy storage to the site, which will be operated by the Company’s patented mPulse controls. Additionally, the Company intends to more than quadruple the number of ASIC (application specific integrated circuit) mining units in operation during the expansion.

As the new policies of FERC 2222 begin to take effect over the coming year, CleanSpark expects to be uniquely positioned to benefit from the implementation of the regulation using its GridFabric applications and other technologies to maximize market opportunities.

Ultimately, it is envisioned that the facility will feature a real-time web-based view of power and dollar savings generated by CleanSpark’s technology, offering clients a unique opportunity to see demonstrated savings in a real-world, power-intensive application. This data will allow clients to make microgrid investments with more reliable information.

Zachary Bradford, CleanSpark’s CEO said, “As part of our strategic acquisition initiative, we identified energy-intensive companies facing the greatest amount of

exposure to high power costs and resiliency risk. Our prior experience in the digital currency mining industry provided insight into how proper energy management was crucial to successful and profitable mining operations. In 2018, CleanSpark's energy professionals were tasked to design and engineer a microgrid solution for a 'stand-alone' mobile bitcoin mining system. As part of the ATL complex we now have 23 such mobile mining rigs in addition to the main facility. This acquisition enables us to take our prior designs and expand upon them at a much greater scale. ***We believe today's transaction allows us to obtain a significant and rapid return on our investment while further validating our energy technologies. We began early-stage analysis of ATL in February 2020 to evaluate expanding the facility's energy capacity and reducing energy costs. After an in-depth examination of the profitability under the existing energy structure, it was apparent that it was a perfect fit to deploy the aforementioned strategy.***

There are currently 3,471 bitcoin mining units ("ASICs") in daily operation on site, processing approximately 190 PH/s which are using approximately 9.6 MW of capacity. ***We anticipate that upon completion of the equipment and energy expansion, the facility is expected to produce between 0.9-1.4 EH/s, depending on the final configuration and ASICs deployed. We expect that this will result in multiple bitcoins being produced daily at some of the lowest energy costs in the nation for this type of enterprise. The Company expects to demonstrate that, by using our technologies, we can reduce the cost of energy to below \$0.0285 per kw/h.*** After successfully deploying the systems, we intend to take this model to other sites, many of which have significantly higher energy costs offering potentially greater opportunities for savings."

Matthew Schultz, CleanSpark's Executive Chairman commented, ***"The recent, significant investments into Bitcoin by such respected companies as Square, PayPal, and MicroStrategy further validate our due diligence conclusions surrounding this acquisition.*** Our assessment regarding the need for renewable energy in digital currency mining was further supported this week when Square (NYSE: SQ) announced the intent to deploy \$10M towards its Bitcoin Clean Energy Investment Initiative. This transaction should immediately position us as one of the largest publicly-traded Bitcoin producers in the country. We will certainly be the only microgrid company that owns and controls the distributed energy supply to its own mining activities, in furtherance of developing our best-in-class technologies. Our efforts will demonstrate to potential clients in this space an easily transferable, low risk for execution model that can quickly enhance their bottom line."

119. The statements in ¶118 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because:

- (a) Bradford's statement that "[w]e began early-stage analysis of ATL in February 2020" could not be true because ATL did not exist in February 2020. It was formed

on April 13, 2020;

- (b) To the extent that Bradford’s reference to “ATL” in the aforementioned sentence was a reference to the assets of Virtual Citadel that were conveyed to Block Data during the Virtual Citadel bankruptcy and then later conveyed to ATL, it was materially misleading to fail to disclose those facts, because Virtual Citadel’s recent history of receivership followed by bankruptcy suggested that the underlying business was in severe financial distress. Virtual Citadel’s recent insolvency posed material risks about the quality and profitability of the underlying business and the likelihood that the expansion plan could be completed in the contemplated timeframe;
- (c) Schultz’s statement that “recent, significant investments into Bitcoin by such respected companies as Square, PayPal, and MicroStrategy further validate our due diligence conclusions surrounding this acquisition” was materially misleading in light of the failure to disclose that Marathon had recently considered acquiring the same underlying business under the name of Fastblock Mining and decided not to complete the transaction. Schultz’s reference to the decisions of other “respected companies” as supportive of CleanSpark’s “due diligence conclusions” was particularly misleading because the investments of those other companies were not investments into the specific bitcoin business that CleanSpark was acquiring, whereas Marathon—a company with a substantially higher market cap than CleanSpark and a more established history in the bitcoin mining industry—chose not to acquire the very same set of bitcoin mining assets that CleanSpark acquired under a different brand name;

- (d) The statement that the “first phase” of improving the ATL facility would entail an expansion of the power “from 20MW to 50MW” and was expected to be completed in April 2021 was materially misleading because it failed to disclose numerous adverse material facts that substantially undermined the accuracy and reliability of this statement, including, *inter alia*, that (i) Defendants had not prepared a detailed timeline for project completion, (ii) no detailed architectural or engineering drawings for the facility expansion project had been completed, (iii) no contract with a general contractor had been executed, (iv) no contract for the build-out of the mining units had been executed, (v) CleanSpark and ATL had not even started the process of applying for construction permits; and (vi) these undisclosed factors rendered Defendant’s projection of an April 2021 completion date for the power capacity expansion to be completely unrealistic and lacking any reasonable basis;
- (e) The statements concerning the depth and the rigor of Defendants’ due diligence with respect to this acquisition—including Bradford’s representation of “in-depth examination of the profitability under the existing energy structure”—were materially misleading because CleanSpark did not have an independent third-party conduct an audit of ATL and instead used Blue Chip Accounting to conduct the audit of ATL.

120. On December 10, 2020, the Company also held a virtual conference for CleanSpark investors to discuss the Company’s expansion strategy. The conference was hosted by Water Tower Research.²⁷ During that call, Bradford provided additional information concerning the ATL

²⁷ The Company pre-announced the December 10 conference on December 8, 2020, via a press release entitled “CleanSpark to Participate in Water Tower Research Fireside Chat Series on Growth and Expansion.” The December 8 press release did not mention the pending acquisition

acquisition and CleanSpark's expansion plans and reiterated that the "first stage" of the expansion would increase the power at the facility from 20 MW to 50 MW and was expected to be completed by April:

Shawn Severson, Head of Sustainable Investing at Water Tower Research

And so ... I'm understanding the role that CleanSpark plays in this, I mean obviously you're optimizing energy that's coming in from the grid, correct? But you're also then looking at deploying additional resources. So help me understand the bridge between the 10 megawatts to the 20 megawatts and the consumption, how will Cleanspark's expertise ... play in that initial expansion?

Zachary K. Bradford

Absolutely, yes. So part of the, I'll call it the energy game – a part of the energy game and how we interact in not just our software, but on the consulting side, it's understanding all the resources you have available and that includes the ability to negotiate large scale contracts. And so *what we have is we do have an agreement with the city to expand the facility, all the way up to 50 megawatts from 20 right now and it's a very, very good, and advantageous contract for us.*

So that's where our first expertise came in, is on our consulting and energy understanding side, then we're going to take that already low rate that we're going to be able to bring into a purchase agreement and we're going to reduce it further by increasing capacity, *so when the city brings us 50 Megawatts by the time we put all of the microgrids on there, we want to add a few more megawatts and that will bring our level as cost of energy down even further. In summary, we feel very comfortable saying that we believe we can push the total energy cost per kilowatt at the location below 2.85 cents and that's something that we're going at pretty aggressively, and know we can accomplish based upon some of the plans we have in place, which again what that further does, it expands the profit margins on the, again, energy to cash business segment that we just acquired.*

Shawn Severson, Head of Sustainable Investing at Water Tower Research

So will you actually be deploying microgrid assets, storage, renewables, solar, I'm trying to understand where the physical assets come in versus the software. *Do you*

of ATL but stated that the topics to covered on the call would "include the Company's expansion strategy through continued innovation and technology surrounding its distributed energy software." The December 8 press release further stated that the call would "also cover growth opportunities that will come from the Company's strategic, accretive acquisition strategy, including potential expansion within target verticals."

need physical assets or intend to use physical assets in the 10 to 20 *or is that in the next expansion stage* after you hit the 20 Megawatts?

Zachary K. Bradford

Yeah, great question, great question. *So that will be after we hit the 50 megawatts we'll be adding on top of, so our expansion from 20 to 50 should happen over the next, call it three, three and a half months. So we expect it to be complete by the end of April. And then once that kind of baseline is there, we're going to start adding microgrid assets.* We're likely going to add solar before then where we don't have a definitive timeline, but our hope is the facility is about 44,000 square feet and it has a blank and perfect roof and that we plan on putting hopefully almost an acre worth of solar panels across that roof.

So we'll give you an updated timeline, specifically on the solar there also. The facility is on five acres. So there is extra space to expand on ground mount solar on a few things. So solar is going to be a big part of this and then it's going to be all about the storage and then the software controlling it and making it all work together.

So yes, we're going to kind of take it in stages. *The first stage will be to get the baseline done.* Second stage will be to add the microgrids, so we probably won't be at full scale until mid-21 is our target.

121. The statements in ¶120 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because Bradford's statements that the "first stage" of the expansion would increase the power capacity from 20MW to 50MW and that this "baseline" was expected "to be complete by the end of April" failed to disclose numerous adverse material facts that substantially undermined the accuracy and reliability of these statements, including, *inter alia*, that:

- (a) Defendants had not prepared a detailed timeline for project completion;
- (b) No detailed architectural or engineering drawings for the facility expansion project had been completed;
- (c) No contract with a general contractor had been executed;
- (d) No contract for the build-out of the mining units had been executed;

- (e) CleanSpark and ATL had not even started the process of applying for construction permits; and
- (f) These undisclosed factors rendered Defendant's projection of an April 2021 completion date for the power capacity expansion to be completely unrealistic and lacking any reasonable basis.

122. On December 31, 2020, CleanSpark issued a press release entitled "CleanSpark Achieves Another Record Revenue Year, Discusses Growth Plans in Annual Statement to Shareholders." A copy of the press release was attached as Exhibit 99.1 to a Form 8-K filed with the SEC on December 31, 2020. The press release stated, in relevant part:

Outlook

The Company expects the somewhat cyclical nature of our business to continue. As an example, approximately 10% of our fiscal 2020 revenue was realized in the quarter ending December 31, 2019. We anticipate this trend will continue in fiscal 2021 and we forecast that our second and third fiscal quarters will again be our strongest. We expect to generate \$20 million in revenue related to our current business segments and we expect the recent acquisition of ATL Data Center to contribute a minimum of \$10 million in additional Bitcoin-based (BTC-USD) revenues for 2021. *We are working diligently to expand the data center capacity allowing us to further increase these initial estimates, but the Company's guidance will remain somewhat conservative until the expansion has been completed and we have sufficient data to forecast a firm outlook.* Finally, as we have only recently begun to integrate ATL into our operations, we have not yet measured the potential additional value expected to be derived from the demonstration of our energy technologies within the data center for additional microgrid deployment and sales opportunities.

123. The statements in ¶122 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) Defendants had not prepared a detailed timeline for completion of the expansion project;

- (b) No detailed architectural or engineering drawings for the facility expansion project had been completed;
- (c) No contract with a general contractor had been executed;
- (d) No contract for the build-out of the mining units had been executed;
- (e) CleanSpark and ATL had not even started the process of applying for construction permits; and
- (f) These undisclosed factors rendered the Company's projections concerning the expansion project to be completely unrealistic and lacking any reasonable basis.

124. On January 5, 2021, CleanSpark issued a press release entitled "CleanSpark Provides Bitcoin Mining Operation Update." The press release stated, in relevant part:

Zach Bradford, CEO of CleanSpark commented, "We believe in taking a big-picture approach in how we view Bitcoin values with a focus on profitability. Conservatively, based on our all-in costs including energy, rent, personnel and overhead the Company can realize a profit whenever Bitcoin values are above \$6,000 per coin. We anticipate that as we scale up our deployment of energy assets and software, we can decrease our total cost per coin to even lower levels. As prices fluctuate, the Company's focus is on the variables within our control; such as expanding the fleet of miners, and maximizing the renewable energy usage. *We anticipate completion of our near-term expansion within the coming weeks adding 1,500 more ASICs miners in January. We will continue to provide periodic updates as we make additional progress on our expansion plans with the intention of increasing production at our Atlanta facility from the current approximately 15 MW to more than 50 MW. All of this is to swiftly move towards our goal of mining bitcoins at the lowest energy cost in the United States.*"

125. The statements in ¶124 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) Defendants had not prepared a detailed timeline for completion of the expansion project;

- (b) No detailed architectural or engineering drawings for the facility expansion project had been completed;
- (c) No contract with a general contractor had been executed;
- (d) No contract for the build-out of the mining units had been executed;
- (e) CleanSpark and ATL had not even started the process of applying for construction permits; and
- (f) These undisclosed factors rendered the Company's projections concerning the expansion project to be completely unrealistic and lacking any reasonable basis.

126. On February 12, 2021, CleanSpark issued a press release entitled "CleanSpark, Inc. Reports Quarterly Financial Results for the Three-Months Ended December 31, 2020." A copy of the press release was attached as Exhibit 99.1 to a Form 8-K filed with the SEC on February 12, 2021. The press release stated, in relevant part:

We completed the acquisition of ATL Data Center in an all-stock transaction. The Company has contracted with the local municipality to bring 30MW of additional power to a property adjacent to ATL property to support additional CleanSpark Bitcoin mining operations. ***This will bring the total power available for mining and data centers for CleanSpark subsidiaries from 20MW to 50MW. The capacity increase is underway and is expected to be complete by mid-year 2021.*** In addition to the additional power to be delivered by the local utility, CleanSpark expects to subsequently add renewable energy generating assets and energy storage to the site, which will be operated by the Company's patented mPulse controls. The Company intends to use the renewable energy to further increase its total energy capacity to support additional ASIC (application specific integrated circuit) mining units and increase bitcoin mining revenues.

127. The statements in ¶126 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) No detailed architectural or engineering drawings for the facility expansion project had been completed;

- (b) No contract with a general contractor had been executed;
- (c) No contract for the build-out of the mining units had been executed;
- (d) CleanSpark and ATL had not even started the process of applying for construction permits; and
- (e) These undisclosed factors created enormous risks that the Company would not accomplish the expansion of the ATL facility's power capacity to 50MW by mid-year 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

128. On February 18, 2021, the Company held a virtual conference for CleanSpark investors to discuss, among other things, the Company's financial results for the Company's most recently completed quarter and the performance of the Company's Bitcoin mining operations. During that call, Defendant Bradford stated, in relevant part:

But I want to speak about what we're working on for the future. At the current site we have in Atlanta we are working on expanding the facility. We actually are adding a second data center next to the one that currently exists and adding infrastructure. ***That infrastructure and energy is going to bring on an additional 30 MW of power. Now we expect everything to be online, both the power, new miners, and we expect to reach about 1.3 exahashes or 1300 petahashes, by mid-summer.***

129. The statements in ¶128 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) No detailed architectural or engineering drawings for the facility expansion project had been completed;
- (b) No contract with a general contractor had been executed;
- (c) No contract for the build-out of the mining units had been executed;
- (d) CleanSpark and ATL had not even started the process of applying for construction

permits;

- (e) These undisclosed factors created enormous risks that the Company would not accomplish the expansion of the ATL facility's power capacity to 50MW by mid-summer 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low; and
- (f) These undisclosed factors created enormous risks that the Company would not reach 1.3 EH/s in total production capacity by mid-summer 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

130. On March 1, 2021, CleanSpark filed a Form 8-K with the SEC, which attached as Exhibit 99.1 a copy of a press release dated March 2, 2021. On March 2, 2021, the Company issued the press release, entitled "CleanSpark Secures Additional Bitcoin Miners for Delivery and Deployment Early Summer." The press release stated, in relevant part:

CleanSpark, Inc. (Nasdaq: CLSK) (the "Company"), a diversified technology company today announced that it has secured for delivery an additional 2,500 ASIC mining rigs which are expected to provide an estimated 218 PH/s of Bitcoin mining hash rate capacity. The miners are expected to be delivered and immediately deployed throughout June and July 2021.

The delivery dates are aligned with the Company's expected completion of energy and infrastructure projects that will provide an additional 30 MW of electricity to the site at a rate of \$0.0285/kwh. This order, along with the Company's current mining fleet, is expected to bring the Company's total hash rate up to an estimated 533 PH/s. CleanSpark expects to make further orders in the coming weeks to secure up to an additional 800 PH/s of mining equipment. The Company has developed a network of dealers and distributors outside of the traditional manufacturing supply chain to secure these additional miners for deployment as the Company's energy infrastructure increases become available.

Zach Bradford, CleanSpark's Chief Executive Officer stated, "***We continue to aggressively pursue the growth of our hash rate capacity and expect to reach 1 to 1.3 EH/s in total production capacity this summer. 'Time is money' in this sector, and these orders allow us to immediately put the 30 MW of increased power into use as soon as it comes online.***" Bradford continued, "The availability of low-cost energy for bitcoin mining facilities will be a constraining factor for the industry as it grows. Cryptocurrency mining operations will further be subjected to increased

scrutiny on the sources of the incredible amount of power required for successful execution and they will need to ensure that there is an ongoing focus utilizing clean energy sources to mitigate these concerns. CleanSpark has maintained its focus on responsible energy solutions since the initial diligence phases of the ATL acquisition. Currently, the municipality providing our power is backed largely by a wholesale provider that reports delivery of power that is 69% emission-free. We plan to incorporate additional renewables onsite in the near future. In addition to maximizing the energy use of our existing facilities, we are targeting additional locations that offer access to abundant, low-cost power, with an emphasis on sites that are backed by clean energy sources and allow us the opportunity to integrate our proprietary renewable energy solutions onsite.”

131. The statements in ¶130 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) Prior to the issuance of these statements, FE1 had provided Bradford a detailed project timeline with an expected completion date of October 2021 and told Bradford that this was an aggressive plan that assumed no delays;
- (b) Defendants had no reasonable basis for modifying the assumptions in that timeline in a way that would allow completion of the project by the summer of 2021;
- (c) At the time of these statements, CleanSpark and ATL had not even started the process of applying for construction permits;
- (d) These undisclosed factors created enormous risks that the Company would not accomplish the expansion of the ATL facility’s power capacity to 50MW by the summer of 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low; and
- (e) These undisclosed factors created enormous risks that the Company would not reach 1.0 to 1.3 EH/s in total production capacity by the summer of 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

132. On March 26, 2021, CleanSpark issued a press release entitled “CleanSpark Purchases Bitcoin Mining Equipment and Infrastructure; Discloses Current 95% Carbon-Free Mining.” The press release stated, in relevant part:

CleanSpark currently operates Bitcoin mining rigs capable of processing approximately 315 PH/s within its Atlanta complex, and as previously announced, it intends to reach between 1.0 and 1.3 EH/s by the end of summer, 2021.

133. The statement in ¶132 was materially false and/or misleading when made and/or omitted to state material facts necessary to make the statement not misleading, because it failed to disclose, *inter alia*, the following adverse facts:

- (a) Prior to the issuance of the statement, FE1 had provided Bradford a detailed project timeline with an expected completion date of October 2021 and told Bradford that this was an aggressive plan that assumed no delays;
- (b) Defendants had no reasonable basis for modifying the assumptions in that timeline in a way that would allow completion of the expansion project by the end of the summer of 2021;
- (c) At the time of this statement, CleanSpark and ATL had not even started the process of applying for construction permits; and
- (e) These undisclosed factors created enormous risks that the Company would not reach 1.0 to 1.3 EH/s in total production capacity by the end of the summer of 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

134. On April 15, 2021, CleanSpark issued a press release entitled “CleanSpark Purchases 22,680 Additional Bitcoin Miners and Anticipates 3.2 EH/s Capacity After Deployment.” The press release stated, in relevant part:

CleanSpark currently operates Bitcoin mining rigs capable of processing approximately 315 PH/s within its Atlanta complex, and as previously announced, it intends to reach between 1.0 and 1.3 EH/s by the end of summer, 2021.

135. The statement in ¶134 was materially false and/or misleading when made and/or omitted to state material facts necessary to make the statement not misleading, because it failed to disclose, *inter alia*, the following adverse facts:

- (a) Prior to the issuance of the statement, FE1 had provided Bradford a detailed project timeline with an expected completion date of October 2021 and told Bradford that this was an aggressive plan that assumed no delays;
- (b) Defendants had no reasonable basis for modifying the assumptions in that timeline in a way that would allow completion of the expansion project by the end of the summer of 2021;
- (c) At the time of this statement, CleanSpark and ATL had not even started the process of applying for construction permits; and
- (e) These undisclosed factors created enormous risks that the Company would not reach 1.0 to 1.3 EH/s in total production capacity by the end of the summer of 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

136. On May 6, 2021, CleanSpark issued a press release entitled “CleanSpark, Inc. Reports Quarterly Financial Results for the Quarter Ended March 31, 2021.” A copy of the press release was attached as Exhibit 99.1 to a Form 8-K filed with the SEC on May 7, 2021. The press release stated, in relevant part:

Our project to add 30MW of additional power to support additional CleanSpark Bitcoin mining operations is ongoing. Upon completion of the project, this will bring the total power available for mining and data centers for CleanSpark subsidiaries from 20MW to 50MW. ***The capacity increase is underway and is***

expected to be complete by summer 2021. In addition to the 30 MW of additional power to be delivered by the local utility, CleanSpark expects to subsequently add renewable energy generating assets and energy storage to the site, which will be operated by the Company's patented mPulse controls.

137. The statements in ¶136 were materially false and/or misleading when made and/or omitted to state material facts necessary to make the statements not misleading, because they failed to disclose, *inter alia*, the following adverse facts:

- (a) Prior to the issuance of these statements, FE1 had provided Bradford a detailed project timeline with an expected completion date of October 2021 and told Bradford that this was an aggressive plan that assumed no delays;
- (b) Since the time that FE1 had provided the original project timeline with an expected completion date of October 2021, there had only been further delays in the project that would have pushed out the completion date further, including the City of College Park requiring a noise study;
- (c) Defendants had no reasonable basis for modifying the assumptions in the timeline in a way that would allow completion of the project by the summer of 2021;
- (d) At the time of these statements, CleanSpark and ATL had not even started the process of applying for construction permits; and
- (e) These undisclosed factors created enormous risks that the Company would not accomplish the expansion of the ATL facility's power capacity to 50MW by the summer of 2021, and rendered the possibility of achieving this goal within the projected timeline to be extremely low.

VI. UNDISCLOSED ADVERSE FACTS

138. The market for CleanSpark's securities was open, well-developed, and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or

failures to disclose, CleanSpark's securities traded at artificially inflated prices during the Class Period. Plaintiffs and other members of the Class purchased or otherwise acquired CleanSpark's securities relying upon the integrity of the market price of the Company's securities and market information relating to CleanSpark, and have been damaged thereby.

139. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of CleanSpark's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about CleanSpark's business, operations, and prospects as alleged herein.

140. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about CleanSpark's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

VII. ADDITIONAL SCIENTER ALLEGATIONS

141. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were

materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding CleanSpark, their control over, and/or receipt and/or modification of CleanSpark's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning CleanSpark, participated in the fraudulent scheme alleged herein.

A. The Company Never Responded To Questions Posed By Culper Research

142. Following the issuance of the Culper Report on January 14, 2021, on January 15, 2021, Culper tweeted:

Cleanspark \$CSLK has declined to respond to our report. Thus, we emailed 8 questions directly to chairman Matthew Schultz, who we understand is always eager to respond to shareholders. If Cleanspark has nothing to hide, we expect public answers to the following questions:

1. Did Green Dragon ever pay CleanSpark for any services whatsoever? If not, then why did the Company issue a press release claiming a contract with Green Dragon?
2. Why did Cleanspark announce “project deployments” at Valle Divino, given zero homes constructed at the site? Since the press release 5 months ago, how many microgrids has Cleanspark deployed at Valle Divino?
3. Why has the Company not disclosed that Lor Love was a member of p2k Labs, making this acquisition a related party transaction?
4. Why has the Company not disclosed that Amer Tadayon is the Chief Product Officer at LAWCLERK, a purported customer of Cleanspark?
5. You previously said Cleanspark could produce \$133M in 2020 revenues. What went so horribly wrong so as to cause the Company to miss this estimate by over 90%?
6. Please explain why ATL Data Centers website was created just days prior to its acquisition by Cleanspark. Were Fastblock’s abandoned assets simply rebranded as ATL?
7. Does ATL have a subsidized power agreement which could expire within 3 years? If so, why has the Company not disclosed this potentially devastating risk?

8. Why is CEO Zach Bradford listed as the auditor of a cannabis penny stock? Was the \$1,584,250 he earned from Cleanspark in 2020 not enough to pay the bills?

143. Defendants did not respond to or address any of these questions.

144. On January 21, 2021, CleanSpark issued a press release entitled “CleanSpark Investigating Short Seller Culper Research.” While this press release characterized the Culper Report as a “a report making false accusations against CleanSpark and its officers,” it did not identify which specific accusations CleanSpark claimed to be false. The press release also did not address the questions posed by Culper Research’s January 15, 2021 Tweet.

145. Defendants’ failure to substantively respond to the Culper Report and the questions posed in Culper’s Tweet supports an inference of scienter. Defendants’ silence is a tacit admission that the allegations against them are true or that providing clarification on these issues would be more damaging than saying nothing.

B. Management Refused To Answer Employees’ Questions About The Culper Report Allegations

146. Former Employee 2 (“FE2”) was the Company’s Director of Strategic Partnerships from April 2019 to May 2021. She initially reported to Amer Tadayon, CleanSpark’s Chief Revenue Officer, and was later reassigned to report to Scott Garrison, CleanSpark’s Vice President of Energy.

147. FE2 stated that when the Culper Report was published in January 2021, the allegations concerned her and she and other employees attempted to get answers from management about the substance of the allegations, but they were provided no clarification about the issues raised in the Report. FE2 stated that she was told that the allegations were frivolous and not true and not to worry about them. FE2 also stated that she received calls from shareholders about the

allegations but was not given any information on how to respond, so she had to push those calls off to senior management.

148. FE2 also stated that CleanSpark attempted to shut down internal communications about the Culper allegations by eliminating meetings and creating a “firewall” between the C level executives and employees at FE2’s level. According to FE2, “[a]ll we know is that when things started happening, every sales meeting or any kind of corporate meeting went away. There was no discussion of anything. We weren’t allowed to talk to any other department or division within CleanSpark.”

149. The efforts by CleanSpark’s senior management to shut down employees’ inquiries about the allegations of the Culper Report and not to provide clarification about the issues raised supports an inference of scienter. Defendants’ refusal to publicly address the allegations is itself suspicious, but their attempts to cut off any internal discussions about the allegations raises even more serious concerns. These actions suggest a complete inability by CleanSpark’s senior management to confront the substance of the allegations.

VIII. LOSS CAUSATION

150. Defendants’ wrongful conduct, as alleged herein, directly and proximately caused the economic losses suffered by Plaintiffs and the Class.

151. Throughout the Class Period, as detailed herein, Defendants made materially false and/or misleading statements and/or omissions. This course of wrongful conduct caused the price of CleanSpark securities to be artificially inflated. But for Defendants’ misrepresentations and/or omissions, Plaintiffs and the other members of the Class would not have purchased CleanSpark securities or would not have purchased such securities at artificially inflated prices. Later, when Defendants’ prior misrepresentations and/or omissions were disclosed to the market, and/or when the concealed risks materialized, the price of CleanSpark shares fell significantly as the prior

artificial price inflation was dissipated. As a result of their purchases and/or acquisition of CleanSpark securities during the Class Period, Plaintiffs and other members of the Class suffered economic losses, *i.e.*, damages, under the Exchange Act. The timing and magnitude of the decline in the prices of the Company's shares negate any inference that the economic losses and damages suffered by Plaintiffs and other members of the Class were caused by changed market conditions, macroeconomic factors, or Company-specific facts unrelated to Defendants' wrongful conduct.

152. As detailed in ¶¶6-7, 12, 45-52, 88-89, 96-96, 101-05, 110-12, *supra*, the truth regarding the undisclosed adverse conditions at ATL and CleanSpark's projections concerning the ATL expansion project was partially revealed, and/or the concealed risks materialized, on or about: January 4-5, 2021; February 12, 2021; March 15-16, 2021; June 18-21, 2021; and August 16-17, 2021. As a direct result of these partial disclosures, the price of CleanSpark's stock declined significantly, precipitously, thereby damaging investors as the artificial inflation in CleanSpark's stock price was removed.

IX. CLASS ACTION ALLEGATIONS

153. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired CleanSpark securities between December 10, 2020 and August 16, 2021, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers, and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

154. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, CleanSpark's shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiffs at this time and

can only be ascertained through appropriate discovery, Plaintiffs believe that there are at least hundreds or thousands of members in the proposed Class. Millions of CleanSpark shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by CleanSpark or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

155. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

156. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

157. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of CleanSpark; and

(c) whether Defendants acted knowingly or recklessly in issuing false and misleading SEC filings and public statements during the Class Period;

(d) whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

(e) to what extent the members of the Class have sustained damages and the proper measure of damages.

158. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

159. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) the omissions and misrepresentations were material;

(c) the Company's securities are traded in efficient markets;

(d) the Company's securities were liquid and traded with moderate to heavy volume during the Class Period;

(e) the Company traded on the NASDAQ, and was covered by market analysts;

(f) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities;

(g) Plaintiffs and members of the Class purchased and/or sold the Company's securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts; and

(h) Unexpected material news about the Company was rapidly reflected in and incorporated into the Company's stock price during the Class Period.

160. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

161. Alternatively, Plaintiffs and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

X. APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)

162. The market for CleanSpark's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, CleanSpark's securities traded at artificially inflated prices during the Class Period. On January 8, 2021, the Company's share price reached an intra-day Class Period high of \$42.60 per share. Plaintiffs and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of CleanSpark's securities and market information relating to CleanSpark, and have been damaged thereby.

163. During the Class Period, the artificial inflation of CleanSpark's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about CleanSpark's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of CleanSpark and its business,

operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

164. At all relevant times, the market for CleanSpark's securities was an efficient market for the following reasons, among others:

(a) CleanSpark shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, CleanSpark filed periodic public reports with the SEC and/or the NASDAQ;

(c) CleanSpark regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) CleanSpark was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

165. As a result of the foregoing, the market for CleanSpark's securities promptly digested current information regarding CleanSpark from all publicly available sources and reflected such information in CleanSpark's share price. Under these circumstances, all purchasers

of CleanSpark's securities during the Class Period suffered similar injury through their purchase of CleanSpark's securities at artificially inflated prices and a presumption of reliance applies.

166. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

XI. NO SAFE HARBOR

167. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading,

and/or the forward-looking statement was authorized or approved by an executive officer of CleanSpark who knew that the statement was false when made.

XII. CAUSES OF ACTION

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

168. Plaintiffs repeat and re-allege each and every allegation contained above as if fully set forth herein.

169. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; and (ii) cause Plaintiffs and other members of the Class to purchase CleanSpark's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

170. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for CleanSpark's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

171. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about CleanSpark's financial well-being and prospects, as specified herein.

172. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of CleanSpark's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about CleanSpark and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

173. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

174. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing CleanSpark's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

175. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of CleanSpark's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired CleanSpark's securities during the Class Period at artificially high prices and were damaged thereby.

176. At the time of said misrepresentations and/or omissions, Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs

and the other members of the Class and the marketplace known the truth regarding the problems that CleanSpark was experiencing, which were not disclosed by Defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their CleanSpark securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

177. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

178. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act Against the Individual Defendants

179. Plaintiffs repeat and re-allege each and every allegation contained above as if fully set forth herein.

180. The Individual Defendants acted as controlling persons of CleanSpark within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contend are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other

statements alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

181. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

182. As set forth above, CleanSpark and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

XIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

XIV. JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: February 28, 2022

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CERTIFICATE OF SERVICE

I, the undersigned say:

I am not a party to the above case and am over eighteen years old. On February 28, 2022, I served true and correct copies of the foregoing document, by posting the document electronically to the ECF website of the United States District Court for the Southern District of New York, for receipt electronically by the parties listed on the Court's Service List.

I affirm under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on February 28, 2022, at New York, New York.

/s/ Gregory B. Linkh
Gregory B. Linkh